

(22,405.)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1910.

No. 784.

THE FAIR, APPELLANT,

vs.

KOHLER DIE AND SPECIALTY COMPANY.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR  
THE NORTHERN DISTRICT OF ILLINOIS.

INDEX.

	Original.	Print
Caption .....	a	1
Placita.....	1	1
Amended bill of complaint .....	3	2
Special appearance of the defendant.....	15	8
Special plea to the jurisdiction.....	16	9
Order of April 4, 1910, denying motion to strike special plea from the files .....	20	11
Order of April 4, 1910, overruling special plea.....	21	11
Order of May 2, 1910: Amended bill taken <i>pro confesso</i> .....	22	12
Decree entered October 12, 1910.....	23	12
Petition for appeal .....	25	13
Assignment of errors.....	26	14
Certificate of question of jurisdiction.....	27	14
Order of November 8, 1910, allowing appeal.....	29	15
Memorandum of opinion.....	30	16
Bond on appeal.....	31	16
Præcipe for transcript of record.....	33	17
Clerk's certificate .....	34	18
Citation and service.....	35	18



a In the Circuit Court of the United States for the Northern District of Illinois, Eastern Division.

29726.

KOHLER DIE & SPECIALTY COMPANY

vs.

THE FAIR.

Messrs. Brown & Hopkins, Solicitors for Complainant.  
Mr. Walter H. Chamberlain, Solicitor for Defendant.

- 1 Pleas in the Circuit Court of the United States for the Northern District of Illinois, Eastern Division, in Chancery sitting, at the United States Court room, in the City of Chicago, in said District and Division, before the Hon. Christian C. Kohlsaas, Circuit Judge of the United States for the Seventh Judicial Circuit, on Wednesday, the twelfth day of October, being one of the days of the regular July Term of said Court, begun on Monday, the fourth day of July, in the year of our Lord one thousand nine hundred and ten and of our Independence the one hundred and thirty-fifth year.

John H. R. Jamar, Clerk.

- 2 In the Circuit Court of the United States for the Northern District of Illinois, Eastern Division.

In Chancery. 29726.

KOHLER DIE & SPECIALTY COMPANY

vs.

THE FAIR.

Be it remembered, That on this day to-wit: the tenth day of March, 1910, comes the complainant in the above entitled cause by its solicitor, and by leave of Court first had and obtained, filed in the Clerk's office of said Court its certain Substituted Amended Bill of Complaint in the words and figures following to-wit:

*Amended Bill of Complaint.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. 29726.

KOHLER DIE & SPECIALTY Co., Complainant,

vs.

THE FAIR, Defendant.

*Amended Bill of Complaint.*

To the Honorable the Judges of the Circuit Court of the United States in and for the Northern District of Illinois, Eastern Division:

And now comes the complainant, leave of Court having been first obtained, and amends its bill of complaint by withdrawing its bill heretofore filed and substituting this, its Amended Bill of Complaint.

Kohler Die & Specialty Co., a corporation duly organized and existing under the laws of the State of Illinois, and having its principal office and place of business at Chicago, County of Cook and State of Illinois, brings this, its bill of complaint, against The Fair, a corporation organized and existing under the laws of the State of Illinois, with its principal place of business and office established at the city of Chicago, County of Cook in the said state, and a citizen and inhabitant of the Northern District of Illinois, Eastern Division, and thereupon, your orator complains and says:

4       1. That heretofore, and before the 6th day of May, 1904, Victor Kost was the sole, original and first inventor of certain new and useful Improvements in Gas Heating Devices not known or used by others before his said invention thereof in this or in any other country, and not patented nor described in any printed publication in this or in any foreign country prior to his said invention or discovery thereof, nor for more than two years prior to the date of filing of his hereinafter named application for his United States Letters Patent hereinafter specified for the said invention, and which invention had not been in public use nor on sale in the United States for more than two years prior to his said application, nor patented in any foreign country on an application filed by him or his representatives or assigns for more than twelve months prior to his said application for the said United States patent, and which invention had not been abandoned; and that being the original, sole and first inventor of the said improvements in gas heating devices, the said Kost made application to the proper department of the United States Government for Letters Patent thereon, in accordance with the then existing laws of Congress in such cases made and provided, which said application was filed on or about the 6th day of May, 1904, and he having complied in all respects with the conditions and requirements of the said laws, and duly sworn to the



specifications and claims of such application for patent, and paying the fees required by law, such proceedings were had that on the 5th day of June, 1906, Letters Patent of the United States for the said invention, under the seal of the Patent Office of the United States, signed by the Commissioner of Patents, or by the Assistant or Acting Commissioner of Patents, and bearing the date last aforesaid and numbered 822,374, were issued in due form of law and delivered to the said Victor Kost, his heirs and assigns, whereby 5 was granted and secured unto said Kost, his heirs and assigns, for the term of seventeen years from the date of said patent the full and exclusive right of making, using and vending to others to be used, the said invention, as by the said Letters Patent, or a duly authenticated copy thereof in Court to be produced will more fully appear, and of which said patent your orator makes profert, a copy of said patent being hereunto annexed and marked "Complainant's Exhibit A."

2. And your orator shows unto your Honors that on or about the first day of July, 1908, the said Victor Kost, by means of an instrument in writing, transferred, sold and set over unto your orator, its successors and assigns, the entire and exclusive right and license to manufacture, use and vend, and license others to manufacture, use and vend, gas heating devices embodying and containing the said invention throughout the United States and territories thereof for the full term for which the said patent was granted, and that in and by said instrument in writing, and as a condition of said license, your orator was and is required to mark the name Kost on each and all of said gas heating devices manufactured or sold by your orator, or your orator's successors or assigns, and that in fact your orator has continuously since the grant of said license, thus marked said name upon all of said devices manufactured or sold by your orator, whereby the said name Kost became, and ever since has been, the generic name for all gas heating devices embodying said invention, and your orator became and still is the exclusive owner of the rights to use said name in connection with the sale of 6 said devices, as by the said written license, or a duly verified copy thereof here in court ready to be produced, will more fully appear.

3. And your orator further shows unto your Honors that it now is and ever since the grant of the said license, and long prior to the time of the infringement of the said patent hereinafter complained of, has been the sole owner of the exclusive right and license of manufacturing, using and vending and licensing others to manufacture, use and vend, the said invention throughout the United States and territories thereof for the full term for which the said patent was granted; that it has put the said invention into public use in various parts of the United States and that the same is of great value and has remained in the exclusive possession of your orator; and your orator has expended large sums of money and gone to great trouble and expense in and about said invention, and is engaged in the business of making and selling gas heating devices made in accordance with and embodying the said invention, and is able to

meet and fill all demands for such devices on the part of the users thereof; and that the public has generally acquiesced in and acknowledged the rights of your orator under the said patent, except for the infringement herein complained of; and your orator further shows unto your Honors that the said defendant was duly notified and given special notice of said patent, notifying defendant of the existence of your orator's exclusive rights under the said patent and of the infringement thereof by the defendant; and that in addition to the said special notice of patent delivered to the said defendant,

7 notice of patent has been given to the public at large of the existence of the said patent by invariably stamping directly upon the gas heating devices manufactured or sold under the said patent by your orator, and by the said Kost since the date of the said patent, the word "Patented," or a word of similar import, together with the date the said patent was granted, or by marking the said notice of patent upon the label, or the box, or the package accompanying or containing the said device when exhibited for sale or sold.

4. And your orator further shows unto your Honors that the said defendant, well knowing the premises and the rights and privileges so as aforesaid secured unto your orator by the said Letters Patent, and conspiring to injure your orator and deprive your orator of the profits, benefits and advantages which might and otherwise would have accrued to your orator from the said patent, has, since the date of the granting of the said patent, and of your orators said license thereunder and since the aforesaid special notice of patent, and before the commencement of this suit, and in various places throughout the United States and territories thereof, and in the Northern District of Illinois, Eastern Division, and in the City of Chicago, in the said District and State of Illinois, where the said defendant has established place of business, unlawfully and without license or permission from your orator, made, used or sold, and is now selling, and threatens to continue to sell to others to be used, a large number of gas heating devices made according to and containing the invention covered by the aforesaid patent, all in violation and infringement of the exclusive rights and privileges granted to your orator under the said patent.

5. Your orator shows unto your Honors that it has a large and profitable business in the manufacture and sale of gas heating devices embodying the said invention, for and to the trade or dealers in

8 Chicago and elsewhere throughout the United States, who in turn sell the same to users or to the public, and that in order that the price thereof to the customers of all of such dealers may be uniform, your orator invariably imposes upon each of said dealers and others to whom your orator sells the said devices, the condition and restriction that none of said devices shall be sold to the public or for use for a price less than one dollar and fifty cents; that notice of this restriction and condition is invariably communicated to each of said dealers or parties purchasing the said devices from your orator as a condition of such sale, and that as a further means of notifying said dealers and parties of such condition and

restriction, and of notifying others who deal with, purchase from, or purpose purchasing from said dealers any of said devices, your orator has invariably and in every instance, securely affixed to each of said devices, or to the boxes or packages containing each of the same when sold or exhibited for sale, a label bearing an illustration of the said device, and containing a special notice of selling restrictions as follows, to-wit:

*"Special Notice.*

"This gas-jet heater is licensed by us for sale and use only when sold to the public at a price not less than \$1.50. No license is granted to sell it to the public at a less price than \$1.50, or to use it if sold at less than such price. Any sale in violation of this condition, or its use when so sold, will constitute an infringement of our United States Letters Patent No. 822,374, (other patents pending) under which this Gas Jet Heater is constructed, and all parties so selling or using it contrary to the terms of this license will be treated as infringers of said patent and will render themselves liable to an injunction and damages. The license to sell is good only so long as this label remains upon the package, and erasures or removal of this label will be construed as a cancellation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.

KOHLER DIE & SPECIALTY CO.,

*Sole Licensee."*

6. Your orator shows unto your Honors that the said defendant was specially notified of the said selling restrictions, and of each and all of the provisions and conditions contained in the notice hereinbefore quoted in the last paragraph, and warned that the said conditions and restrictions would be imposed upon and enforced against the said defendant before the defendant obtained or purchased any of the said devices for sale, that the said defendant is a merchant making a business of selling merchandise to the public at large for use and in the capacity of a merchant the defendant obtained a stock of the said devices, each bearing the special notice hereinabove quoted plainly displayed upon the outside of each box containing the same, and offered the same for sale, and did sell the same, in the city of Chicago, in the Northern District of Illinois, and Eastern Division, for a sum materially less than one dollar and fifty cents each, and that after the said defendant had thus obtained said devices, the defendant was again and repeatedly cautioned and warned against any violation of the conditions and restrictions contained in the said special notice above quoted, and particularly the condition that none of the said devices could be sold to the public or for use for a price less than one dollar and fifty cents without the defendant rendering itself liable to your orator for infringement of the said patent and to an injunction.

7. And your orator further shows unto your Honors that the said

10 defendant, well knowing the premises and the rights and the privileges so as aforesaid, secured unto your orator by the said letters patent, and conspiring to injure your orator and deprive your orator of the profits, benefits and advantages which might and otherwise would have accrued to your orator from the said patent, has, since the date of the granting of the said patent, and of your orator's said license thereunder, and since the aforesaid special notice of patent, and since the aforesaid special notice of restrictions and conditions for the re-sale of the said devices to the public or for use and before the commencement of this suit, and in various places throughout the United States and territories thereof, and in the Northern District of Illinois, Eastern Division, and the City of Chicago, in the said District and State of Illinois, unlawfully and without license or permission from your orator sold, and is now selling and threatens and intends to continue to sell to the public and for use and to users, a large number of said gas heating devices for a price of \$1.25 each and less, made according to and containing the invention covered by the said patent, and bearing upon each thereof, or upon each box containing the same, the aforesaid label containing the aforesaid special notice of selling restrictions, and also bearing thereon and upon said label the public notice aforesaid that the said gas heating device is manufactured under and in accordance with the aforesaid patent, said public notice of patent being stamped plainly upon each of the said devices when thus sold by defendant in words the figures as follows, to-wit: "Pat'd June 5,-06," all in violation and infringement of the exclusive rights and privileges granted to your orator under the said patent, and to the great and irreparable injury to your orator's business in the manufacture and sale of the said devices.

8. And your orator further shows unto your Honors that it has a large number of customers who purchase the said gas heating devices embodying the said invention from your orator under 11 the conditions of the said selling restrictions as displayed upon the said label, and who have generally acquiesced in said conditions ~~3104~~ restrictions, and in your orator's rights and privileges under the ~~3105~~ patent, and that this violation and infringement of your orator's said rights herein complained of by the said defendant, tends to induce others to violate the said selling restrictions as to the price of said article, and to infringe upon your orator's rights under the said patent, and has actually materially interfered with the lawful sale of the said gas heating devices by your orator to your orator's said customers and prospective customers, and to the trade generally, and has thereby diverted from your orator large gains and profits to which your orator is justly entitled and which would have accrued to your orator but for the unlawful acts of infringement committed by the defendant against your orator's rights as herein complained of.

9. Your orator shows that unless the said infringement of the said patent by the defendant be enjoined or discontinued, your orator will suffer great and irreparable damage and pecuniary loss and injury to its business and good will, for which no action at law would be adequate.

10. And your orator further shows to your Honors that the defendant has sold in the unlawful manner aforesaid and is now offering for sale and intends to sell to the public and to users as aforesaid, a large number of gas heating devices embodying and containing the said invention, and has derived great gains and profits from said infringement, which gains and profits your orator would have derived but for said unlawful acts of said defendant, but as to the exact number of such articles so sold by the defendant your orator is ignorant and as to the exact amount of the gains and profits which the said defendant has derived from such unlawful sale of said devices in infringement of the said patent your orator

is not informed, and therefore your orator prays that the  
12 said defendant may be required to make disclosure of the number of said devices sold in infringement of said patent, and the amount of gains and profits derived therefrom by the defendant.

11. And your orator further prays that the defendant may be compelled by a decree of this court to account for and pay over to your orator all such gains and profits as have accrued to and been received by said defendant, and all such gains and profits as your orator may be entitled to by reason of the aforesaid infringement of the said patent, and also such gains and profits as your orator would have received but for the said unlawful acts of the defendant; and in addition to such gains and profits also the damages which your orator has sustained by the said unlawful acts of the defendant; and that the defendant, its clerks, attorneys, agents, servants and workmen, may be perpetually as well as temporarily or provisionally enjoined and restrained by the decree and injunction of this Honorable Court from directly or indirectly making, constructing, using or vending, devices containing or embodying the invention covered by and contained in said patent, and from directly or indirectly selling any gas heating devices, or offering to sell any gas heating devices, or selling or offering for sale gas heating devices of your orator's manufacture and embodying the said invention for a price less than one dollar and fifty cents each; and that the said defendant may be decreed to pay the costs of this suit and may also be enjoined and restrained as aforesaid during the pendency of this suit; and that your Honors, upon rendering the decree for infringement, may proceed to assess, under your direction, in addition to the profits to be accounted for by the defendant, as aforesaid, the damages your orator has sustained by reason of said un-

lawful acts of the defendant, and that your Honors may in-  
13 crease the actual damages so assessed for the infringement of the said patent to a sum equal to three times the amount of such assessment under the circumstances of the willful and aggravated infringement of the said patent by the defendant; that the defendant may be required by order of this Honorable Court to deliver up to your orator or to the court, all gas heating devices embodying the said invention now in the possession or under the control of the defendant, to be destroyed and that your orator have such other and further relief as the equity of the case may require and to this court may seem meet.

And to the end therefore, that the defendant may, if it can, show why your orator should not have the relief herein prayed, and may full, true, direct and perfect answer make (but not under oath, an answer under oath being hereby expressly waived) to the several matters herein above stated and charged, as fully and particularly as if the same were here repeated and the defendant specially interrogated with reference thereto, and especially that the defendant may set forth whether it has sold or is now selling within the Northern District of Illinois, Eastern Division, or elsewhere in the United States, any gas heating devices containing or embodying the invention aforesaid, or whether it claims so to do under any pretense, grant or license held by it from your orator, or under the said patent, may it please your Honors to grant unto your orator, not only writs of injunction in conformity to this bill, but also writs of subpoena ad respondendum issuing out of and under the seal of this court, directed to the said defendant, The Fair, commanding it to appear and make answer to this bill of complaint and to abide by and perform such order and decree in the premises as to the court shall seem meet and be required by the principles of equity and good conscience.

14 And your orator, as in duty bound, will ever pray, etc.  
 KOHLER DIE & SPECIALTY CO.,  
 By BROWN & HOPKINS, *Solicitors*.

BROWN & HOPKINS,  
*Solicitors for Complainant.*

(Endorsed:) Filed March 10, 1910, H. S. Stoddard, Clerk.

15 And on to-wit: the sixteenth day of March, 1910, comes the defendant in said entitled cause by its solicitor and enters its special appearance for the sole and only purpose of objecting to the jurisdiction in words and figures following to-wit:

*Special Appearance of the Defendant.*

In the United States Circuit Court, Northern District of Illinois,  
 Eastern Division.

In Equity.

KOHLER DIE & SPECIALTY CO.

vs.

THE FAIR.

The clerk of the Court will please enter the special appearance of The Fair for the sole and only purpose of objecting to the jurisdiction.

THE FAIR,  
 By WALTER H. CHAMBERLIN,  
*Attorney for the Sole and Only Purpose Aforesaid,*  
 1543 Marquette Building, Chicago.

Chicago, Ill., March 17, 1910.

(Endorsed:) Filed March 16, 1910. H. S. Stoddard, Clerk.



16 And on the same day to-wit: the sixteenth day of March, 1910, came the defendant in said entitled cause by its solicitor and filed in the clerk's office of said Court its certain Special Plea to the Jurisdiction in words and figures following to-wit:

*Special Plea to the Jurisdiction.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

**In Equity.**

**KOHLER DIE & SPECIALTY COMPANY**

**vs.**

**THE FAIR.**

The special plea of The Fair to the amended bill of complaint of Kohler Die & Specialty Company, complainant, interposed and filed herein for the sole and only purpose of raising the question of jurisdiction.

The Fair by protestation, not confessing or acknowledging all, or any of the matters and things in the said complainant's amended bill of complaint, mentioned and contained, to be true, in such sort, manner, and form, as the same are therein set forth and alleged, for special jurisdictional plea to the whole of said bill, says that:

The said complainant and The Fair are each and both citizens of the State of Illinois; that The Fair has never manufactured any of the devices referred to in the amended bill of complaint herein; that the complainant has fixed a price at which it would sell the devices referred to in the amended bill of complaint to jobbers; that each and every such device which has been sold or offered for sale by The Fair was purchased by a jobber from the complainant; that

the jobber paid to the complainant the full price demanded

17 for each and every of such articles and resold them to The

Fair and that The Fair has never sold or offered for sale

any of such devices except those which the complainant has received

the full price demanded for them; that The Fair has never used

any of the devices referred to in the amended bill of complaint, ex-

cept those purchased as aforesaid; that the Circuit and Superior

Courts of the State of Illinois are courts of general jurisdiction, and

that such courts have full jurisdiction of all controversies arising

between citizens of the State of Illinois, except in particular cases,

specially reserved under the constitution of the United States, and

the acts of the Congress of the United States, to the federal tribunals;

that the sole and exclusive jurisdiction, for the determination of

all questions herein between citizens of the same state, is vested in

the aforesaid courts of general jurisdiction of the State of Illinois,

where the controversy, as in this case, arises between citizens of that

state; that if the said complainant apprehends itself aggrieved

touching the matters alleged in the amended bill of complaint

herein, it ought to appeal to, and seek redress concerning the same from the aforesaid courts of general jurisdiction of said State of Illinois, which courts are, as The Fair submits, the proper forums to decide and determine the said matters; that under the aforesaid facts no question is presented for adjudication, arising under the patent laws of the United States, or under the constitution of the United States, or any act of the Congress of the United States; all which matters and things The Fair is ready to aver, testify, maintain and prove, as this Honorable Court shall order and direct, and, therefore, The Fair demands, and most humbly prays, the judgment of this Honorable Court, whether it should be compelled to make any further answer to the said amended bill of complaint, and prays, on the ground of lack of jurisdiction in this court, to be hence dismissed with its reasonable costs and charges in this behalf most wrongfully sustained.

18

THE FAIR,  
By E. J. LEHMAN,  
*Vice-President.*

Attest:

O. W. LEHMAN,  
*Ass't Secretary.* [SEAL.]

UNITED STATES OF AMERICA,  
*Eastern District of Ill.,  
State of Illinois, County of Cook, ss:*

E. J. Lehman and O. W. Lehman, being each severally and duly sworn, doth depose and say: E. J. Lehman, that he is the vice-president of The Fair, and O. W. Lehman, that he is the Assistant and acting secretary of The Fair, and that each of them, as such respective officers executed the foregoing plea in behalf of The Fair, and they, and each of them, further say, that the facts contained in the foregoing plea are true, in point of fact, to the best of their and each of their, information and belief, and that said plea is filed and interposed in good faith, to raise the question of jurisdiction, and is not interposed and filed for purposes of delay.

E. J. LEHMAN.  
O. W. LEHMAN.

Subscribed and sworn to before me, this 16th day of March, A. D. 1910.

[SEAL.]

CURTIS S. POWELL,  
*Notary Public for Cook Co., Illinois.*

19 I hereby certify that the foregoing plea is drawn in the above entitled suit, and interposed therein, for the sole purpose of raising the question of jurisdiction, and that, in my opinion, it is well founded in point of law.

WALTER H. CHAMBERLIN.

(Endorsed:) Filed March 16, 1910. H. S. Stoddard, Clerk.



20 And on to-wit: the fourth day of April, 1910, being one of the days of the regular December, 1909, term of said court, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, Circuit Judge, appears the following entry to-wit:

*Order of April 4, 1910, Denying Motion to Strike Special Plea from the Files.*

29726.

KOHLER DIE & SPECIALTY COMPANY

vs.

THE FAIR.

This cause having come on to be heard on a motion to strike defendant's special plea from the files on the ground that a demurrer was a proper pleading, and the Court being duly advised, it is ordered that the said motion be and hereby is denied.

21 And on the same day to-wit: the fourth day of April, 1910, being one of the days of the regular December, 1909, term of said court, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, Circuit Judge, appears the following entry to-wit:

*Order of April 4, 1910, Overruling Special Plea for Insufficiency. Ten Days in Which to File Answer.*

29726.

KOHLER DIE & SPECIALTY COMPANY

vs.

THE FAIR.

This cause having come on to be heard on the special plea of the defendant and having been set down for argument, and the Court being duly advised in the premises, it is ordered that said special plea be and the same is hereby overruled for insufficiency, and the defendant is given ten days in which to file its answer.

22 And on to-wit: the second day of May, 1910, being one of the days of the regular December, 1909, term of said Court, in the record of proceedings thereof, in said entitled cause before the Hon. Christian C. Kohlsaat, Circuit Judge, appears the following entry to-wit:

*Order of May 2, 1910: Amended Bill of Complaint Taken Pro Confesso.*

29726.

KOHLER DIE & SPECIALTY CO.

VS.

THE FAIR.

Whereas, in pursuance of an order entered by me in this cause on the 4th day of April, A. D. 1910, the defendant is in default in filing its Answer, it is ordered that the amended bill of complaint filed herein be taken *pro confesso*.

23 And on to-wit: the twelfth day of October, being one of the days of the regular July, 1910, term of said Court, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, Circuit Judge, appears the following entry to-wit:

*Decree Pro Confesso of October 12, 1910.*

29726.

KOHLER DIE & SPECIALTY COMPANY

VS.

THE FAIR.

This cause coming on to be heard in the presence of counsel for the complainant, and it appearing to the court that the subpoena issued in this cause was duly served upon the defendant, and that the time for appearance by the defendant has long since expired and no appearance except the special appearance for the sole and only purpose of objecting to the jurisdiction has been entered, on motion of counsel for the complainant, it is

Ordered, adjudged and decreed that the Amended Bill of Complaint in the cause be and the same is hereby taken as confessed by the defendant; and it is further

Ordered, adjudged and decreed that Letters Patent, referred to in the Amended Bill of Complaint, No. 822,374, granted June 5, 1906, to Victor Kost, of Chicago, Illinois, is good and valid in law as respects claims 1 to 15 inclusive therein specified and that the said Victor Kost was the true, original and first inventor of the invention and improvements described and claimed in the aforesaid claims in said Letters Patent; that Kohler Die & Specialty Company, complainant has sufficient title and interest in the patent to maintain this suit and, that the said The Fair, defendant herein, has infringed upon claims 1 to 15 inclusive of said Letters Patent, and upon

24 the exclusive rights of the complainant under the same as charged in the Amended Bill of Complaint; And it is further

Ordered, adjudged and decreed, that the parties having waived a

reference and accounting, the complainant recover from the defendant the sum of one dollar (\$1.00) as damages and profits; And it is further

Ordered, adjudged and decreed, that the said complainant do recover of the defendant its costs and charges and disbursements in this suit amounting to forty-five dollars and eighty-seven cents (\$45.87) and it is further,

Ordered, adjudged and decreed, that a perpetual injunction be issued in this suit against the said defendant, restraining it, its agents, clerks, servants and all claiming or holding under or through it, from making, using or selling, or in any way disposing of gas heating devices embracing the invention or improvement described and claimed in said Letters Patent, pursuant to the prayer of the said Amended Bill of Complaint.

25 And on to-wit: the Eighth day of November, 1910, came the defendant in said entitled cause by its solicitor and filed in the clerk's office of said Court its certain Petition for Appeal in words and figures following to-wit:

*Petition for Appeal.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. 29726.

KOHLER DIE & SPECIALTY COMPANY, Complainant,  
vs.

THE FAIR, Defendant.

Petition for Appeal.

The above named defendant conceiving itself to be aggrieved by the decision of this Court that it had jurisdiction of the subject matter of this cause and by the final decree entered herein on the 12th day of October, 1910, in pursuance of such decision does hereby appeal from said final decree of October 12, 1910, to the Supreme Court of the United States upon the said question of jurisdiction for the reasons specified in the assignment of errors this day filed herein; and it prays that this appeal may be allowed, that said question may be certified to the Supreme Court by the Certificate filed herewith and that a Transcript of Record and all proceedings herein be forthwith transmitted to said Supreme Court of the United States.

THE FAIR,  
By WALTER H. CHAMBERLIN,

*Its Solicitor.*

Chicago, October 21, 1910.

(Endorsed:) Filed Nov. 8, 1910. John H. R. Jamar, Clerk.

26 And on the same day to-wit: the Eighth day of November, October, 1910, came the defendant in said entitled cause by its solicitor and filed in the clerk's office of said Court its certain assignment of errors in words and figures following to-wit:

*Assignment of Errors.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. 29726.

KOHLER DIE & SPECIALTY COMPANY, Complainant,  
vs.  
THE FAIR, Defendant.

*Assignment of Errors.*

I. That the Court erred in holding herein that it had jurisdiction of the subject matter of this cause.

II. That the court erred in overruling the plea to the jurisdiction of the defendant filed herein March 16, 1910.

III. That the court erred in not sustaining said plea to the jurisdiction and dismissing the bill of complaint for lack of jurisdiction.

THE FAIR,  
By WALTER H. CHAMBERLIN,  
*Its Solicitor.*

(Endorsed:) Filed Nov. 8, 1910. John H. R. Jamar, Clerk.

27 And on to-wit the eighth day of November, 1910, there was filed in the clerk's office of said Court in said entitled cause a certain Certificate in words and figures following to-wit:

*Certificate.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. 29726.

KOHLER DIE & SPECIALTY COMPANY, Complainant,  
vs.  
THE FAIR, Defendant.

*Certificate.*

The substituted amended Bill of Complaint herein having been filed March 10, 1910, and the defendant having entered its appearance solely for the purpose of contesting the jurisdiction of

this Court; and a special plea to the jurisdiction having been filed by the defendant on the 13th day of March, 1910; and said special plea having been set down for argument and counsel for both parties having been heard thereon; the Court having entered an order on April 4th, 1910 overruling the special plea of the defendant and ordering it to answer; and defendant having failed to answer within the time specified by said order and making no further appearance in this cause; and the final decree having been entered herein on October 12th, 1910, granting an injunction against the defendant:

28 Now therefore, This Court, pursuant to the second paragraph of the Fifth Section of the Act of Congress approved March 3, 1891, and entitled: "An Act to establish the Circuit Court of Appeals and to define and regulate in certain cases the jurisdiction of the Courts of the United States, and for other purposes," hereby certifies to the Supreme Court of the United States that in the above entitled cause the jurisdiction of this Court of the subject matter was the sole question in issue, and was decided adversely to the defendant, and that by reason thereof, and not otherwise, the final decree of October 12th, 1910, shown in the record herein, was entered; and that pursuant to said Act above mentioned the following question is hereby certified to the Supreme Court of the United States:

Whether this Court based on the record herein had jurisdiction of the subject matter of this cause.

(Endorsed:) Filed Nov. 8, 1910. John H. R. Jamar, Clerk.

29 And on to-wit: the eighth day of November, 1910, being one of the days of the regular July 1910, term of said Court, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, Circuit Judge, appears the following entry to-wit:

*Order of November 8, 1910, Allowing an Appeal.*

29726.

KOHLER DIE & SPECIALTY COMPANY  
vs.  
THE FAIR.

Now comes the defendant by its solicitor and it appearing to the Court that the petition for appeal and assignment of errors have been filed herein,

It is Ordered that an appeal to the Supreme Court of the United States from the final decree entered herein on October 12, 1910, be, and the same is allowed upon the question of the jurisdiction of this Court over the subject matter of this cause, as prayed; and that for the purpose of enabling the Supreme Court to decide this ques-

tion a transcript of the entire record herein be forthwith transmitted to the Supreme Court, and that the complainant file its appeal bond in the sum of three hundred dollars (\$300) with American Surety Company of New York as surety.

30 And on to-wit: the eighth day of November, 1910, there was filed in the clerk's office of said Court in said entitled cause a certain Memorandum of Opinion in words and figures following to-wit:

*Memorandum of Opinion.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. —.

KOHLER DIE & SPECIALTY COMPANY, Complainant,  
vs.  
THE FAIR, Defendant.

The Court of Appeals for this Circuit in Victor Company vs. The Fair, 123 Fed. Rep., 424, held that the subject matter of the plea inserted in this cause only presented a question within the patent laws and covered by them. Such decision settled the law for this Court. Following that decision the plea herein inserted was overruled. Under such circumstances I must refuse a formal certificate upon the question of jurisdiction. No proceedings did occur in this case, however, on the part of the defendant except the filing of the plea which the defendant claims is a plea to the jurisdiction.

KOHLSAAT, C. J.

(Endorsed:) Filed Nov. 8, 1910. John H. R. Jamar, Clerk.

31 And on to-wit: the eighth day of November, 1910, came The Fair as principal and American Surety Company of New York, as surety and filed in the Clerk's office of said Court in said entitled cause a certain Bond on Appeal, in words and figures following to-wit:

Know all men by these presents that we, The Fair a corporation of Illinois having its principal office in Chicago, Illinois, and American Surety Company of New York, as surety, are held and firmly bound unto Kohler Die & Specialty Company in the full and just sum of three hundred dollars (\$300) to be paid to the said Kohler Die & Specialty Company, and successors or assigns, for which payment well and truly to be made, we bind ourselves, our successors and assigns, jointly and severally by these presents.

Sealed with our seals and dated this 21st day of October, 1910.  
Whereas lately, at the July 1910, term of the Circuit Court of the

United States for the Northern District of Illinois, Eastern Division in a suit pending in said Court between the said Kohler Die & Specialty Company as complainant and The Fair as defendant, a decree was entered granting an injunction against the said The Fair, defendant, and said The Fair *has* obtained an order of appeal of the said Court to reverse the decree in the aforesaid suit and a citation directed to said Kohler Die & Specialty Company citing and admonishing it to be and appear in the Supreme Court of the United States thirty (30) days from and after the date of said citation:

32 Now the conditions of the above obligation are such, that if The Fair shall duly prosecute its said appeal with effect and answer all damages and costs if it fails to make good its plea, then the above obligation to be void, otherwise to remain in full force and virtue.

THE FAIR,

By E. J. LEHMAN, *Vice President*.  
AMERICAN SURETY COMPANY OF  
NEW YORK,

[SEAL.]

By R. R. GILKY, *Res. Vice Pres't*.  
ROBERT F. BENNETT, *Res. Ass't Sec'y*.

Attest:

[SEAL.] CHARLES GREVE.

Approved: Nov. 8, 1910.

KOHLSAAT, *Judge*.

(Endorsed:) Filed Nov. 8, 1910. John H. R. Jamar, *Clerk*.

33

*Præcipe for Transcript of Record.*

In the United States Circuit Court, Northern District of Illinois,  
Eastern Division.

In Equity. No. 29726.

KOHLER DIE & SPECIALTY COMPANY, Complainant,

vs.

THE FAIR, Defendant.

*Præcipe for Record.*

To the Clerk of the above entitled Court:

You will please prepare a Transcript of Record in this cause, to be filed in the office of the clerk of the Supreme Court of the United States under the appeal heretofore perfected to said court and include in said transcript the following pleadings, proceedings and papers on file, to-wit:

Substituted Amended Bill of Complaint,  
 Special Appearance,  
 Special Plea to the jurisdiction,  
 Order of April 4, 1910, denying motion to strike special plea  
 from files,

Order of April 4, 1910, overruling special plea,  
 Order of May 2, 1910, taking bill pro confesso,  
 Final Decree of October 12, 1910,  
 Petition for Appeal,  
 Assignment of errors,  
 Certificate,  
 Order allowing appeal,  
 Opinion,  
 Bond.

THE FAIR,  
 By WALTER H. CHAMBERLIN,  
*Its Solicitor.*

Chicago, November 9, 1910.

(Endorsed:) Filed Nov. 9, 1910. John H. R. Jamar, Clerk.

34 NORTHERN DISTRICT OF ILLINOIS,  
*Eastern Division, ss:*

I, John H. R. Jamar, Clerk of the Circuit Court of the United States for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record in said Court, made in accordance with Præcipe filed in the cause entitled Kohler Die & Specialty Company vs. The Fair, as the same appear from the original Records and Files thereof now remaining in my custody and control.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court, at my office, in the City of Chicago, in said District, this Eleventh day of November, 1910.

[Seal of Circuit Court U. S., Northern Dist. Illinois, 1855.]

JOHN H. R. JAMAR, *Clerk.*

35 UNITED STATES OF AMERICA, *ss:*

To Kohler Die & Specialty Company, Greeting:

You are hereby cited and admonished to be and appear at a Supreme Court of the United States, at Washington, within 30 days from the date hereof, pursuant to an order allowing an appeal, entered and filed in the Clerk's Office of the Circuit Court of the United States for the Northern District of Illinois, Eastern Division, wherein The Fair is the appellant, and you are Appellee, to show cause, if any there be, why the Decree rendered against the said Appellant as in the said Order mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.



Witness, the Honorable Christian C. Kohlsaas, Circuit Judge of the United States for the Seventh Judicial Circuit this Eighth day of November, in the year of our Lord one thousand nine hundred and ten.

KOHLSAAT, *Judge.*

36 [Endorsed:] No. 29726. Supreme Court of the United States. Kohler Die & Specialty Co. vs. The Fair. Citation to the Supreme Court of the United States. Circuit Court of the United States, Northern District of Illinois, Eastern Division. Filed Nov. 10, 1910. John H. R. Jamar, Clerk.

On this — day of — in the year of our Lord one thousand nine hundred —, personally appeared — before me, the subscriber, — and makes oath that he delivered a true copy of the within citation to —.

— —.

Sworn to and subscribed the — day of —, A. D. 19—. Copy received Nov. 10th, 1910.

BROWN & HOPKINS,  
*Sols. for Kohler Die & Specialty Co.*

Endorsed on cover: File No. 22,405. N. Illinois C. C. U. S. Term No. 784. The Fair, appellant, vs. Kohler Die & Specialty Company. Filed November 16th, 1910. File No. 22,405.



# SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1910.

No. 784.

---

THE FAIR,

Appellant,

vs.

KOHLER DIE & SPECIALTY COMPANY,

Appellee.

---

## **Motion to Advance.**

Now comes the appellant and moves this court for an order advancing this case upon its calendar so that it will be heard upon oral argument immediately following the case of *Dick v. Henry*, No. 175; and as the facts, the reasons and the objects of this motion, begs to state to this court as follows:

The case of *Dick v. Henry* is here upon *certiorari* and practically presents the question involved in the so-called Button Fastener case (*Heaton-Peninsular Button Fastener Company v. Eureka Specialty Company*, 77 Fed., 288) to-wit: The power of the patentee by placard upon his patented article to limit the use of such article; while in this case the question is whether the patentee is such a czar that he may limit by placard under the patent act the resale price *ad infinitum* of his patented article, as was announced in *Victor Talking Ma-*

*chine Co. v. The Fair*, 123 Fed., 424. Neither of these questions has ever been directly passed upon by this court.

In the case at bar, the parties are citizens of the same state. A bill was filed below in the ordinary form for patent infringement. The sole tort shown by the record was the violation of the placard on complainant's article. The defendant appeared specially to the jurisdiction and pleaded specially to the jurisdiction. No further proceedings were had in the cause, except a decree as upon default. Hence the sole question involved was one of jurisdiction and the appeal to this court was allowed upon that ground only.

This record (less than twenty pages) not only presents the rights of the parties to this suit, but it also involves the jurisdiction of the lower Federal courts; the powers of all patentees; the rights of purchasers from them; and the rights of the purchasing public. This question has arisen many times in the lower Federal tribunals and, it is self-evident, needs an authoritative decision from this court, which will finally settle the rights of parties under the patent statutes.

As the sole question involved is one of jurisdiction, under the rules and practice of this court it will be advanced as a matter of right.

We most respectfully submit that the case should be argued orally and that such argument should immediately follow the case of *Dick v. Henry*. If this court *ex gratia* should refuse the oral argument and require submission on brief, then we most humbly request a decision at the earliest possible date.

WALTER H. CHAMBERLIN,  
D. S. WEGG,  
*Counsel for Appellant.*

## SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1910.

No. 784.

THE FAIR,	}
<i>Appellant,</i>	
<i>vs.</i>	
KOHLER DIE & SPECIALTY COMPANY,	}
<i>Appellee.</i>	

GENTLEMEN :

Please take notice that on January 30th, 1911, at 12 o'clock noon, or as soon thereafter as the court will hear the same, we will move for an order advancing the hearing of the above entitled cause, under Rule 32 of the Rules of Practice of the Supreme Court of the United States.

Respectfully, etc.,

WALTER H. CHAMBERLIN,

D. S. WEGG,

*Counsel for Appellant.*

To BROWN &amp; HOPKINS,

Counsel for Appellee.

Service of a copy of the attached motion together with copy of appellants' brief acknowledged this ninth day of January, 1911.

BROWN &amp; HOPKINS,

*Counsel for Appellee.*

## INDEX OF POINTS.

---

Statement of facts.....	1-3
<i>a.</i> Placard or notice placed on patented articles....	1
<i>b.</i> Citations from record showing question is juris- diction. ....	3
Assignment of errors.....	4
Interpretation of Section 4884 R. S.....	4-9
<i>a.</i> Meaning of word "make" in Section 4884.....	4
<i>b.</i> Meaning of word "use" in Section 4884.....	5
<i>c.</i> Meaning of word "vend" in Section 4884.....	7
Button Fastener and Mimeograph cases consid- ered. ....	10-12
Rule that where patentee has received his price for patented article same is relieved from patent monopoly, considered and cases cited.....	13
Copyright cases cited and considered.....	14
Folding Bed cases cited and considered.....	16
Harrow case cited and considered.....	17
Victor Talking Machine case cited and considered...	18
Dover Sad Iron case cited and considered.....	23
Bath Tub case cited and considered.....	24
<i>Brown v. Duchesne</i> cited and considered.....	24
Method of raising question of jurisdiction in case at bar. ....	27
Discussion and comparison of courts of general ju- risdiction and courts of limited jurisdiction.....	27
Excelsior Wooden Pipe case considered and jurisdic- tional statute of 1875 quoted.....	31
Cases cited showing this appeal properly taken and if not writ of certiorari suggested.....	33

## ALPHABETICAL INDEX OF CASES.

Am. Sugar Ref. Co. <i>vs.</i> New Orleans.....	33
Bement <i>vs.</i> National Harrow Co.....	17
Bloomer & McQuewan.....	13
Bobbs-Merrill Co. <i>vs.</i> Strauss.....	14, 15, 23
Brown <i>vs.</i> Duchesne. . . . .	24
Chaffee <i>vs.</i> Boston Belting Co.....	13
Chas. Scribner's Sons Co. <i>vs.</i> Strauss.....	14, 15
Cunningham <i>vs.</i> Wegg.....	27
Davis <i>vs.</i> C. C. C. & St. L. Ry. Co.....	33
Dr. Miles Medical Co. <i>vs.</i> Park & Sons Co.....	23
Excelsior Wooden Pipe Co. <i>vs.</i> Pacific Bridge Co.....	31, 33
<i>Ex parte</i> New York & Porto Rico Steamship Co....	33
Fair <i>vs.</i> Dover Mfg. Co.....	23
Globe Newspaper Co. <i>vs.</i> Walker.....	33
Heaton Peninsular Button Fastener Co. <i>vs.</i> Eureka Specialty Co. . . . .	7, 10
Henry <i>vs.</i> Dick. . . . .	7, 12, 14, 16, 23, 33
Ira M. Hedges, <i>in re</i> .....	29
Keeler <i>vs.</i> Standard Folding Bed Co.....	16
Lehigh Mining & Mfg. Co., <i>in re</i> .....	33
Metropolitan Trust Co., <i>in re</i> .....	29
Mitchell & Hawley.....	13
National Phonograph Co. <i>vs.</i> Schlegel.....	22
Pratt <i>vs.</i> Paris G. L. & C. Co.....	30
Procter & Gamble Co. <i>vs.</i> United States <i>et al.</i> ....	30, 31
Shields <i>vs.</i> Coleman. . . . .	33
Simmons <i>vs.</i> The Jefferson.....	33
Standard Sanitary Mfg. Co. <i>vs.</i> United States <i>et al.</i> ..	24
Story's Equity Pleadings.....	27
United States <i>vs.</i> Jahn.....	33
United States <i>vs.</i> Larkin.....	33
Victor Talking Machine Co. <i>vs.</i> The Fair (C. C. A.).	18
Victor Talking Machine Co. <i>vs.</i> The Fair (C. C.)...	22

# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1912.

No. 169.

(October Term, 1910. No. 784.)

---

THE FAIR,

Appellant,

vs.

KOHLER DIE & SPECIALTY COMPANY,

Appellee.

Appeal from the Circuit Court of the United States for the Northern  
District of Illinois.

---

## BRIEF FOR APPELLANT.

---

### STATEMENT OF FACTS.

Both appellant and appellee are corporations of Illinois and citizens of that state. Appellee (complainant below) manufactures and sells to the trade generally, under a patent, devices known as gas-jet heaters. On each device or on the package containing the same it places the following notice (Rec., p. 5):

#### “SPECIAL NOTICE.

“This gas jet heater is licensed by us for sale and use only when sold to the public at a price not less



than \$1.50. No license is granted to sell it to the public at a less price than \$1.50, or to use it if sold at less than such price. Any sale in violation of this condition, or its use when so sold, will constitute an infringement of our United States Letters Patent No. 822,374 (other patents pending), under which this gas jet heater is constructed, and all parties so selling or using it contrary to the terms of this license will be treated as infringers of said patent and will render themselves liable to an injunction and damages. The license to sell is good only so long as this label remains upon the package, and erasures or removal of this label will be construed as a cancellation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.

KOHLER DIE & SPECIALTY Co.,  
Sole Licensee."

Appellee sells its said devices to jobbers who pay to appellee the full price demanded therefor. The jobbers sell to the retailers, who pay the full price demanded, and the retailer sells to the public.

In the case at bar each and every device for which infringement was charged was of appellee's own manufacture, was purchased by appellant from a jobber to whom the full price for each device was paid, and the jobber purchased each of said devices from appellee and paid to it the full price demanded for each device.

Appellant sold to the public some of the devices so purchased, for less than \$1.50 each, the selling price fixed for each device by the notice above set forth. Thereupon appellee filed its bill of complaint charging patent infringement. (Rec., p. 1.) Appellant, after special appearance (Rec., p. 8), filed a special plea to the jurisdiction. (Rec., p. 9.)

Motion was made by appellee to dismiss the plea on the ground that a demurrer was the proper pleading. This motion was overruled. (Rec., p. 11.) The plea was then

set down for argument, appellee thereby confessing the facts set forth in the plea. Upon argument the plea was overruled and appellant was ordered to answer. (Rec., p. 11.) This it declined to do and thereupon a final decree was entered sustaining the bill of complaint and granting the prayers of the bill as if on default. (Rec., p. 12.)

Appeal was then perfected to this court upon the sole question of jurisdiction under Section 5 of the Act of 1891, creating United States Courts of Appeals. There is no showing in the record that appellant committed any other tort than the alleged tort of selling appellee's goods at a less price than that fixed in the foregoing notice.

A reference to the following citations from the record shows clearly that the only question in issue was jurisdiction. In addition to the special appearance and special plea above referred to, we direct attention to the following:

The decree (Rec., p. 12) states in referring to the defendant that "no appearance except the special appearance for the sole and only purpose of objecting to the jurisdiction has been entered."

The petition for appeal (Rec., p. 13) recites that defendant appeals to this court "upon the said question of jurisdiction."

The memorandum opinion of the judge of the court below (Rec., p. 16) states: "No proceedings did occur in this case, however, on the part of the defendant except the filing of the plea, which the defendant claims is a plea to the jurisdiction."

The order allowing the appeal (Rec., p. 15) states that it is "allowed upon the question of the jurisdiction of the court over the subject-matter of the cause, as prayed."

### ASSIGNMENT OF ERRORS.

1. That the court erred in holding herein that it had jurisdiction of the subject-matter of this cause.

2. That the court erred in overruling the plea of the defendant to the jurisdiction, filed herein March 16, 1910.

3. That the court erred in not sustaining said plea to the jurisdiction and dismissing the bill of complaint for lack of jurisdiction.

### ARGUMENT.

The solution of the question raised in this record depends upon the true construction of the patent statute, and particularly of the word "vend" therein contained. We most respectfully suggest and insist that this precise question has never been directly presented to or passed upon by this court.

Section 4884 of the Revised Statutes gives to the patent owner the "exclusive right to make, use and vend the invention or discovery." These three words, make, use and vend, have distinctive and separate meanings, no one of which conflicts with any of the others. The grant by Congress is not of one monopoly, but of three monopolies, the exclusive right to make, the exclusive right to use, and the exclusive right to vend. These three monopolies, although conferred by Congress in one section and in one grant, are just as independent of one another in the privileges and benefits to be enjoyed by the patentee, as are the words make, use and vend distinctive and separate from each other.

The exclusive right to make, or bring into being, a specific embodiment of the invention or discovery does

not control its use or sale. If the only grant in this section had been the exclusive right to make, the patentee could not enjoin others from either using or selling the devices, if made in a foreign country, although infringing devices if made here. The word make in this section has nothing whatever to do with passing title to the device after it has been made by the patentee, or his grantee. If the only monopoly in the statute were the exclusive right to make, then, as in the instant case, where all the devices were made by the patentee himself, their subsequent disposition would solely depend upon principles of the common law. It is self-evident that when the patentee has made the device, as in this case, he has exhausted the entire monopoly conferred by the words "exclusive right to make," and if he has a monopoly in either the right of use or the right of sale, or both, it depends solely upon the meaning and proper construction of other words in the act.

The second monopoly in section 4884 is the exclusive right to use. A grant of a right to use, or a grant of a right of use, is diametrically opposed to a grant of the full title to the device or thing to which the user pertains. The words to use and of use are akin to the words to hire in a bailment. They presuppose title in the grantor, and that a royalty, rental, or some other direct pecuniary benefit is to be received by the grantor or patentee from, through or by means of the particular thing or device of which the use is granted. This is especially true of a machine or other embodiment of an invention, the use of which is constantly producing pecuniary gain or profit. As the use granted by Congress to the patentee is exclusive, it would seem to follow, necessarily, that after the patentee has exercised his power to make, and while he retains the title, he may grant the use in such form as he pleases, he

may limit or restrict it, as his business interests, or possibly his mere caprice or whim may dictate. Under this second monopoly the patentee can only grant a use, and in granting the same he may limit or restrict it to time, place or particular person and to the manner in which such use may be enjoyed. If such use be granted for a specified time or to a particular person, then upon the expiration of such time or the death of such person, the right of use which was all that was granted would, of course, cease and the device, the use of which had been granted, would be, as it always had been, the property of the patentee, without any words of forfeiture or reverter. Any specific embodiment of the invention or discovery covered by the letters patent cannot be freed from the monopoly conferred unless and until the patentee has received all the pecuniary compensation or tribute fixed or demanded by him for such device. The grant or sale of the use only, which is all the patentee can give under this branch of the monopoly, *ex vi termini*, asks or demands tribute, and is entirely antagonistic to any declaration or statement, that the patentee owner of the device has received his full tribute therefor. It is a familiar principle in equity, where this case rests, that whatever the form of the papers or grant may be, the court will not "stick in the bark," but it will look at the real facts to determine the rights of the parties. Thus, although a conveyance in fee simple absolute may have been made, if the facts disclose that an equity of redemption exists the deed at once becomes a mortgage. So, under the patent laws, if the facts disclose that the patentee has not received from the device the full tribute demanded or exacted by him, whatever the form of the papers may be, this court will, as it should, declare that such device has not been freed from or passed beyond the monopoly of the letters patent. This is the

key to the *Mimeograph* and *Button Fastener* cases, which will be hereinafter considered. It indubitably follows that where the patentee makes his device and grants the use thereof for the life of his letters patent, the first two monopolies given him by Congress have become exhausted, unless he reserves to himself some royalty or other direct pecuniary benefit from the future use of such device, in which latter event the monopoly of use has not been annihilated, and such device has not passed beyond the limits of the patent. Where, however, as in this case, the patentee makes the device, delivers possession, and grants the use, without reserving to himself any direct pecuniary gain or benefit from the future use thereof, he has parted with the first two monopolies granted him by Congress.

The third monopoly in section 4884 is the exclusive right to vend. This word "vend" means the parting with the entire title for a full consideration. The first two monopolies do not relate to a transfer of title, *eo nomine*, while this word can only be given effect and the monopoly conferred thereby be deemed exhausted when the patentee has received the whole pecuniary tribute he has fixed for his device. If the patentee makes the device and fixes his price therefor, states a sum for which he is willing to vend it, and receives this sum, such device is free from *all* the monopolies of the patent, unless as a condition or part of the sale there has been a clear intention or understanding that such sale is made subject to a restriction or limitation upon the use, not the resale, of the device. The patentee cannot be said to have vended or sold his device unless he has received the full tribute he has fixed therefor. If he has not received his price, then the device is not freed from the patent monopoly. If, however, he does receive all he asks therefor, then the article is delivered free from any and all

right, title or interest of the patentee, unless there has been a *bona fide* restriction on the use. Where, as here, the patentee has been paid the last cent he is to receive for his device, and there is no limitation upon its manner of use, such device passes out of or beyond the patent monopoly, and if any restriction is attempted to be made, it can only be upon the resale. There is, and can be, no pretense in this case that there is or has been a real restriction upon the use. The language of the bill, as also of the placard when properly considered, shows that the restriction or limitation is solely and only upon the power of resale. The facts in this record disclose that the patentee is the manufacturer; that he has vended or sold the devices; that he has made and declared no limitation or restriction upon the use; that he has received his full tribute voluntarily fixed; that he is to receive no future returns from the devices, and hence they are freed from the patent monopoly. It needs no argument to show that when such devices are thus once freed from the patent, any attempted restriction or limitation upon resale does not present a case arising under the patent laws, but depends entirely upon principles of the common law, and rights of private contract. There is no case in this court arising under the patent laws which warrants in the slightest degree a restriction upon resale when the patentee has received his full tribute, and where there is no limitation upon the kind or character of the use to which the device is to be subjected. It may be that under the decisions of this court the strict legal title to the device may be passed and yet such title may be subject to a limitation or restriction upon the manner of use of such device, thus converting such sale into a qualified or conditional one, and that under such circumstances the mere fact that the patentee is not *in futuro* to receive any direct pecuniary benefit



from such device, becomes immaterial. To effect this result, however, the limitation or restriction must be upon the use, it cannot be upon the resale. If the device made by the patentee has no restriction as to use, and he has received his full tribute from sale, such device is necessarily free from the monopoly. Any restriction upon its resale, which is the case here, presents clearly no case within the patent laws. When the patentee has made the device and has sold the same, without any limitation upon its manner of use, and has not retained any future tribute from such device, he has freed it from his patent monopoly. Any question which may thereafter arise between him and his vendee presents a pure case of violation of contract upon resale, and it has nothing whatever to do with the patent laws.

There cannot be, and will not be, any claim in this case that the notice or placard places any limitation or restriction upon the use, except as it may be incidental to or as it arises from a reselling price, from which no direct percentage or benefit is reserved to the patentee. Hence the limitation here relates solely and only to the third monopoly or the power to vend. With no real or actual limitation or restriction upon the use, the device is free from the patent, when, as here, the patentee has received his full tribute. When, as here, the monopoly to vend only is involved, there is no possible distinction between the patent and the copyright laws. The patent laws confer the exclusive right to vend, while the copyright laws confer the sole liberty of vending. These are similar or equivalent powers, and, as this court has said, a limitation upon the price of resale under the copyright laws is void, the same result must follow from a limitation of the power to resell under the patent laws, when the monopoly to vend is alone involved.



Of course, to exhaust his monopoly to vend, the patentee must not only part with the device without any restriction upon its manner of use, but also for the full tribute fixed by him. If under the terms of his contract he is to receive future profits, he may be said not to have sold or vended his device, and that he is looking to the future, not to the present, for his returns. He has the power under the patent laws to secure to himself such returns by limiting the use to which his device is to be placed; but when he has received his full price, free from limitations upon the use, he has lost his entire monopoly. If he has *actually vended* his device he has received his full pay or compensation, whereas if his tribute has not been paid he still holds his monopoly.

In *Heaton Peninsular Button Fastener Co. v. Eureka Specialty Co.*, 77 Fed. Rep., 288, the machine involved was a machine for fastening buttons on shoes by means of small wire staples called fasteners. Complainant, the owner of the patent on the machine, had sold 49,000 of the patented machines *at cost* with the following label or notice on each machine:

"This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Co., to whom the title to said machine immediately reverts upon violation of this contract of sale."

Defendant manufactured fasteners adapted for use in the patented machine and sold them to the purchasers and users of such machines. Suit was brought against the manufacturer of the fasteners as a contributory infringer. To decide the question whether the defendant was a contributory infringer it was necessary for the court to decide whether the user of the machine, by the use of the fasteners obtained from the defendant, was infringing the patent.

In other words, whether the machine was still under

the monopoly created by the patent notwithstanding its so called sale by the patentee, because of the notice on the machine; or whether, on the other hand, the machine was carried out of the monopoly created by the patent notwithstanding the notice. The court held that by the sale of the machine with the notice thereon the patentee had granted under his patent only a limited or restricted license to *use* the machine with the particular fasteners purchased from him. And that the *use* of the machine with fasteners purchased from the defendant was without or beyond the license given under the patent, and that hence such use was patent infringement.

In that case the patentee when he parted with possession of the machine, did not get the price asked for it, and hence it never was freed from the patent monopoly. What was the return to the patentee? What was his price? It was the initial manufacturer's cost of the machine (the opinion shows that 49,000 were sold at cost), plus a continuing return in the shape of profits made on the sale of the fasteners. Complainant said to a purchaser, you can have the *use* of my machine upon payment to me of the actual cost of that machine and a royalty, that royalty to be the profit which I will make on the fasteners you will use in that machine. On these terms I will give you with the machine a license under the patent to *use* the machine only with fasteners purchased from me. Obviously the initial sale of the machine at cost was not what the patentee demanded under his patent and was not what he expected to receive, and under the many decisions of this court, it was not until he received what he demanded, that the machine was relieved from the patent monopoly.

Such is not the case at bar. Here complainant when it sells a gas-jet heater gets *all* that it asks. The mo-

ment it parts with the title to the patented article it has no future interest or pecuniary return to it, either from the *use* or *resale* of that particular article. There is nothing substantial flowing back to it from the future career of that article, notwithstanding the notice that it places thereon.

It should be particularly noted that in the case of *Henry v. Dick*, 224 U. S. 1, (the Mimeograph case), there was not only a limitation upon the use, but it appeared that the patentee had parted with his machines at cost, or less, and that he had not received his tribute, but that he was looking *in futuro* for his profit. In that case it is said, p. 26:

“The patentee sold its machines at cost, or less, and depended upon the profit realized from the sale of other non-patented articles adapted to be used with the machine, and that it had put out many thousands of such machines under the same license restriction. Such a sale, while transferring the property right in the machine, carries with it only the right to use it for practicing the invention according to the terms of the license.”

This is a restriction upon use, not a limitation upon the power of alienation after the patentee has received his full tribute. In that case the patentee had not exhausted his monopoly to vend, and in parting with his title, he had not received the full consideration therefor. In neither the *Button Fastener* nor *Mimeograph* cases had the patentee received the tribute which he had voluntarily placed upon his devices; but he had specially reserved to himself future profits, hence it cannot be said his patent monopoly had been exhausted. He had not fully exercised or exhausted his monopoly to vend, as he had not received the tribute which he had voluntarily placed upon his devices. In neither the *Mimeograph* case nor in the *Button Fastener* case was there a real vending, with-

in the true meaning of the patent laws. In neither case had the patentee received his full tribute. There must be full consideration to make a vending or sale. In both cases it was clear that the patentee expected to receive profits *in futuro*, and in neither case had the monopoly to vend been exhausted. The patentee had not parted with his monopoly for the full tribute or price fixed by him. In neither case was there an actual vending or sale, and the court, disregarding the words or terms of the transactions, looked into, as it should, the actual transactions to ascertain the rights of the parties. We are not considering, and we refuse to consider, the question of contributory infringement, as it has no bearing upon the record here presented. We are simply calling the attention of this court to the sharp and clear distinction which exists between a sale with a limitation upon the manner of use of the device, and a vending of such device without any limitation or restriction upon its use, and where the attempted limitation or restriction is upon resale only.

The general rule that when a patentee has fixed a price for his patented device and he has received this price from a purchaser, such device is freed from the monopoly of the patent is too well settled to need citations. See, however, for convenience:

*Bloomer v. McQuewan*, 14 How., 537;

*Chaffee v. Boston Belting Co.*, 22 How., 217;

*Mitchell v. Hawley*, 16 Wall., 544.

Under this rule when the patentee has received his price, he no longer has any interest, protected by the patent laws in the device so sold. This bill of complaint was filed in the face of this rule, and claims that even if the patentee has been paid his full price and even if he has not retained any part of the title or any specific pecuniary interest in the device so sold, yet such patentee may by

placard or notice place a restraint upon the power of alienation in the hands of the purchaser, and that such facts present not a case of contract or breach thereof, but a case inherent in or arising under the patent laws, protected by the patent monopoly. No issue is made upon the patent. All the devices were manufactured by complainant and its price paid therefor. The bill sets out in full the placard or notice placed upon each device sold and it alleges a violation of the terms of such placard or notice by a resale of such device at a price less than that fixed in the placard or notice. No other grievance or wrong is charged. If such facts present a case inherent in or arising under the patent laws, then the court below had jurisdiction; if they present a case arising out of contract or a breach thereof, then the court below had no jurisdiction.

That an author or publisher, who has received his price for a book or other publication, cannot invoke the copyright laws to protect a placard or notice attempting to restrict the power of alienation by the purchaser, or to prevent a resale at less than the price fixed in such placard or notice, has been settled by this court in the *Copyright* cases. In *Henry v. Dick* it is announced that a qualified or restricted title may be conveyed so that the use of the article in a particular manner, for a particular time, or in a particular place may be granted and that such qualified or restricted title will be declared valid and enforced under the patent laws; but where the entire title passes with a reverter clause if the terms of the placard or notice be not observed as to the selling price, an action for the enforcement thereof is one for breach of contract only, and the case presented is not one under the patent laws. There is and can be no real difference between the copyright cases and the effect of a placard or no-

tice upon a patented article, where upon the sale the entire title passes, as in the case at bar, and no part of the title and no pecuniary interest is reserved to the patentee. The copyright cases are the following:

*Bobbs-Merrill Co. v. Straus*, 210 U. S., 339;

*Chas. Scribner's Sons v. Straus*, 210 U. S., 352.

The copyright laws cover manufacture or publication and sale, while the patent laws cover not only manufacture and sale, but use also. If the use of a patented article is involved, and such use has been so granted that the patentee has reserved to himself some pecuniary interest by royalty or otherwise, arising from the use of the article, the patentee may be said not to have received his full price. Where, as in the case at bar, the patentee has received the full price demanded by him for the article, where he has in no way restricted its use, and where he has not reserved to himself any direct pecuniary interest in such article, the general rule applies, and such article is freed from the patent monopoly. The words "to vend" and "of vending" must receive the same construction and the restriction in this case be held void.

It cannot be held that where the right to vend is exercised without any limitation as to the manner of use in the future, that the device has not passed beyond the monopoly. Where, as here, the sole limitation or restriction is upon the price at which the device may be resold, the language used in the copyright cases becomes apposite. It is there said (210 U. S., at page 351):

"To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment."

That the exclusive right to use is the distinguishing feature between the patent and the copyright laws plainly appears from the language of Mr. Justice Lurton, in *Henry v. Dick, supra*, where he says, on page 46:

“While there are resemblances between the right of the author to ‘vend’ his copyrighted production, and of the patentee to ‘vend’ the patented thing, the inherent difference between the production of an author, be it a book, music, or picture, and that of an inventor, be it a machine, a process, or an article, is so manifest that the exclusive right of one to multiply and sell was declared sufficient to give him that exclusive right to his writings purposed by the Constitution. To the inventor by §4884, Revised Statutes, there is granted ‘the exclusive right to make, use, and vend the invention or discovery’.”

From these words, it is evident that in the opinion of this court, there is no distinction between “to vend” and “of vending” in the patent and copyright laws, and that no controversy can arise unless the question of *use* is involved. There can be no pretense in this case that such question is involved, and hence the copyright decision is decisive.

Appellant contends that in *Keeler v. Standard Folding Bed Co.*, 157 U. S., 659, the question here presented was practically settled, and that nothing in any of the subsequent decisions of this court has in any manner modified or restricted the full force and effect thereof. In that case the patentee had granted an exclusive territorial license for Massachusetts, which was assigned to and owned by the complainant, a New York corporation. The patentee had granted a similar license for Michigan to another corporation. The defendant, a resident of Massachusetts, with full knowledge of the facts, purchased from the Michigan grantee and manufacturer, folding beds which he took to Boston, offered for sale and sold. The bill had as its *gravamen* a violation of



the patent laws and sought an injunction against such sales. The prevailing opinion determined that when the patented device was sold by the patentee or any duly authorized assignee or licensee at the price fixed for the sale, such patented device was freed from the monopoly of the patent and might be sold by the purchaser at any price or upon any terms which he might fix; that even if the purchaser of the patented articles sold them with full knowledge of all the facts so as to damnify the patentee, his assignee or licensee for Massachusetts, it did not present a case inhering in or arising under the patent laws, but one simply for fraud at the common law, or if a contract existed, for violation thereof; and that the federal court had no jurisdiction. The court in considering this question says at page 666:

“Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.”

The vital question presented for decision there was: did these territorial license contracts and the claimed violation thereof raise an issue under the patent laws, or one of breach of contract? This court decided that the case was not one within the patent laws and not one within the contracts, and that if the patentee desired further protection, such protection, if it could be made, could only be by way of special contracts brought home to the purchasers.

*Bement v. National Harrow Co.*, 186 U. S., 70 was on



error from the Supreme Court of the State of New York. Several different harrow manufacturers owning patents, formed the National Harrow Company, and each assigned its patents to said company, taking back stock in the corporation therefor. The National Harrow Company then licensed each of the individual companies to manufacture a particular and specific kind or style of harrow conditioned on paying to the National Harrow Company \$1 each as royalty, and conditioned further upon maintaining a stipulated price at which the harrow it manufactured should be sold. The action was in the state courts *on the contracts*, and was not a patent suit. The defense was that the contracts were in contravention of the Sherman Act. The court held the contrary. The points involved in that case evidently have no bearing upon the case at bar.

We now consider the decisions of the lower courts that involve the question of the right of a patentee to control by means of the patent statutes the price at which the patented article shall be *resold* after the patentee has manufactured and sold it for his price. The first case in which this principle was upheld was *Victor Talking Machine Co. v. The Fair*, 123 Fed. Rep., 424, in the Court of Appeals for the Seventh Circuit. In that case complainant, a corporation of Pennsylvania, manufactured under its patents talking machines and sold them with the following notice thereon:

“Notice. This machine which is registered on our books No. —, is licensed by us for sale and use only when sold to the public at a price not less than \$—. No license is granted to use this machine when sold at a less price. Any sale or use of this machine when sold in violation of this condition will be considered as an infringement of our United States patents under which this machine and records used in connection therewith are constructed, and

all parties so selling or using this machine contrary to the terms of this license will be treated as infringers of said patents, and will render themselves liable to suit and damages. This license is good only so long as this label and the above noted registered number remain upon the machine, and erasures or removal of this label, will be construed as a violation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation. Victor Talking Machine Co."

Defendant, a corporation of Illinois, resold the talking machines at a price less than that named in the label and was sued for patent infringement. Defendant demurred; the demurrer was sustained. The Court of Appeals for the Seventh Circuit reversed the lower court, overruled the demurrer and held that defendant had infringed by selling at a price less than that fixed in the label on the machines, the talking machines of complainant's own manufacture, which it had purchased through a jobber, from the complainant.

In that case the Court of Appeals for the Seventh Circuit enlarged the principle of the *Button Fastener* case so as to make it include a placard relating to the resale price of the article.

Judge Baker, on page 427, without drawing any distinction between a restriction as to the manner of use under the patent law and a limitation upon the power of resale, although they are fundamentally different, says:

"A patentee may reserve to himself as an ungranted part of his monopoly of sale the right to fix and control the price at which jobbers and dealers may sell the patented article to the public, and that whoever without permission enters the reserved portion is an infringer."

In other words, this decision holds that a patentee after having exercised his right to make his patented device,

after having parted with such device, without any limitation or restriction upon its use, and after vending the same, at whatever price he chooses, can, under this statutory or patent right, retain in himself the right to re-sell that particular article,—that concrete embodiment of the patented invention,—at some other or different price than that named in the label on the article. Or to phrase it somewhat differently, that case holds that the patentee may part with the title to the concrete embodiment of the patented invention, receiving therefor the full price demanded for it, but that under his patent, by means of the label or notice affixed to the article, he licenses the purchaser of that article to sell that particular article at not less than the given price, retaining in himself the right to sell, not other embodiments of the patented invention at a different price, but to re-sell *that particular* embodiment of the invention at a different price. We claim that this is a *reductio ad absurdum*. It is, of course, conceded that the patentee can, if he chooses, sell one embodiment of his invention at one price and another embodiment at another price. And that he can inflict the harshest and most fanciful terms on the use of any of the embodiments of his invention so long as he retains the title to those embodiments, but the moment he parts with the title to the *thing*, that *thing* is no longer within the monopoly created by the patent, and any contract expressed or implied which attaches to the thing in the hands of the purchasers must be enforced purely as a contract, and not under the patent laws. The only possible theory on which the doctrine of the Victor case can be sustained is that the purchaser of the patented article from the manufacturer or from a jobber who has purchased from the manufacturer is acting as the agent of the patentee-manufacturer for the sale of that article. If the relation of principal and agent

existed the rule *respondeat superior* must apply. The bill of complaint in this case not only repudiates any such rule, but proceeds upon the theory that under the patent laws each purchaser, with notice, *ad infinitum*, who buys at a less price than that fixed by the placard is an infringer, not an agent. Again, to create the relation of principal and agent the arrangement must be such as to bring financial or substantial return to the principal through the actions of the agent. In the Victor case, and in the case at bar, no action of the agent brings any financial return to the patentee. The latter obtained the full price demanded for the article when he sold it, and so far as that specific article is concerned, his interest in it is dead. The purchaser becomes not the agent of the patentee, but his own principal.

Judge Baker also states that:

“Within his domain the patentee is Czar.”

Where a patentee retains his entire title and has not parted in any manner with any portion thereof he may in effect be a Czar within his patent domain. It may also be that if the patentee grants a territorial right or other interest by assignment, grant or exclusive license, he remains the Czar in his patent domain as to all interest therein reserved to himself. It may further be that if the patentee by assignment, grant, license or otherwise parts with an interest in his patent and by the contract, whatever its form, retains to himself under the contract a royalty or other pecuniary interest in the specific article covered by the patent, he is still Czar as to such retained interest; but it is perfectly clear when the patentee places a price upon his patented article, which price represents all the profit he is ever to receive from that particular article and he obtains that price, he no longer remains the Czar of that device so

sold, and it is thenceforth entirely free from the monopoly of the patent.

Considering now specifically the facts of the case at bar appellee sold to a jobber the patented gas-jet heaters and obtained the price fixed by him; the jobber sold them to appellant and obtained the full fixed price. The gas-jet heaters so purchased carried with them the so-called notice or license. The appellee had no interest in those heaters. Whether appellant sold them at double the price named in the notice or at half the price named in the notice meant no financial return to appellee. Under these facts no possible question is presented under the patent laws. If any questions of contract obligation are presented, these cannot be considered by a federal tribunal where the parties are citizens of the same state, and hence we do not discuss them.

Shortly following the Victor decision just referred to came the case of the *National Phonograph Co. v. Schlegel*, 128 Fed. Rep., 733, in the Court of Appeals for the Eighth Circuit, where much the same facts were involved as in the Victor case and where the court held substantially the same as in the Victor case on the authority of the latter case and the Button Fastener case without considering the clear distinction between a sale where the patentee had received his full tribute and a limitation upon the right of use where the patentee was to receive his profits *in futuro*. It should be noted that in both the Victor case and in the National Phonograph case just cited the lower courts were reversed. It is also worthy of note that while Judge Kohlsaas in *Victor Talking Machine Co. v. The Fair*, 118 Fed. Rep., 611, considers the language of the Folding Bed case as binding upon him, yet neither in the appeal from Judge Kohlsaas (the Victor case above discussed) nor in the case of *National Phonograph Co. v. Schlegel*, *supra*, nor in the

*Button Fastener* case was the opinion of this court in *Keeler v. Standard Folding Bed Company* cited or considered. The only other decision by a court of appeals which we have been able to find bearing directly on the facts of the case at bar is *The Fair v. Dover Mfg. Co.*, 166 Fed. Rep., 117. There substantially the same facts were involved as in the Victor case except that the notice placed on the goods was not explicit as to the minimum price at which the goods could be sold, but read as follows:

“Asbestos sad irons are sold subject to restrictions as to the persons and the minimum prices at which they may be resold. Any violation of such restrictions makes seller or user an infringer of the patents controlled by the Dover Manufacturing Company. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.”

The court in that case went somewhat further than in the Victor case, and Judge Baker speaking for the court holds, impliedly at least, that the retailer who through the jobber, purchases the placarded patented article from the patentee paying him the full price demanded, becomes the agent or successor in interest of the patentee. As we have already pointed out, agency or trusteeship necessarily means a return to the principal or beneficiary of something substantial through the article or commodity or estate which is the subject of the agency or trusteeship. Here is absolutely no return to the patentee (the principal) through the *resale* of the patented article—hence no agency or trusteeship.

It is very clear from the decisions of this court in *Henry v. Dick*, 224 U. S., 1, under the patent laws; *Bobbs-Merrill Co. v. Strauss*, 210 U. S., 339, under the copyright laws; and *Dr. Miles Medical Co. v. Park & Sons Co.*, 220 U. S., 373, under the principles of the common law, or

the law of the land, that unless the record discloses that some limitation or restriction has been placed *upon the manner of the use* of the article sold or vended, and the patentee has received his full tribute or price, the device so vended is entirely free from the patent monopoly; and that any restriction or limitation upon resale is a mere matter of private contract or agreement, which in no way presents a case under the patent laws, and is void under the common law as an undue restraint upon alienation, although the validity of such restraint upon alienation cannot be involved in this case until it is presented to a court having general jurisdiction over contracts between citizens of the same state.

The very recent decision of this court in the *Bath Tub* case, *Standard Sanitary Mfg. Co. v. The United States et al.*, decided Nov. 18, 1912, practically holds that the patentee is not a Czar, at least when he attempts to exercise powers under the patent monopoly in opposition to the Sherman Act. Hence the monopoly of a patentee is not so sacred and complete as it has been ordinarily looked upon by the bar, and by courts generally. The monopoly is not absolute. The powers of the patentee must receive reasonable and proper construction with due reference to provisions of the Constitution, other acts of Congress and the general law of the land. That this is the correct principle and that such restraints upon the power of alienation as are here attempted should be looked upon with disfavor would seem necessarily to follow from the language of Chief Justice Taney in *Brown v. Duchesne*, 19 How., 183.

That case was a bill in equity in the ordinary form for infringement of letters patent. It appeared that a French vessel had had placed upon her in France the de-



vice covered by the letters patent sued on and that such vessel was lying at anchor in the port of Boston. There was a technical infringement of the patent sued on. In that case as in the case at bar no substantial direct pecuniary damage was shown to result to the complainant. In that case as in this, it may be claimed that a technical trespass upon the monopoly of the patentee existed and that indirect damages would flow from the fact that a device covered by his patent was in use without his full consent and authority; yet the bill was dismissed, Chief Justice Taney, among other things, saying at page 196:

“But it seems to be supposed that this user of the improvement was, by legal intendment, a trespass upon the rights of the plaintiff; and that although no real damage was sustained by the plaintiff, and no profit or advantage gained by the defendant, the law presumes a damage, and that the action may be maintained on that ground. *In other words, that there is a technical damage, in the eye of the law, although none has really been sustained.*

“This view of the subject, however, presupposes that the patent laws embrace improvements on foreign ships, lawfully made in their own country, which have been patented here. But that is the question in controversy. And the court is of opinion that cases of that kind were not in the contemplation of Congress in enacting the patent laws, and cannot, upon any sound construction, be regarded as embraced in them. For such a construction would be inconsistent with the principles that lie at the foundation of these laws; *and instead of conferring legal rights on the inventor, in order to do equal justice between him and those who profit by his invention, they would confer a power to exact damages where no real damage had been sustained, and would moreover seriously embarrass the commerce of the country with foreign nations. We think these laws ought to be construed in the spirit in which they were made—*



that is, as founded in justice—and should not be strained by technical constructions to reach cases which Congress evidently could not have contemplated, without departing from the principle upon which they were legislating, and going far beyond the object they intended to accomplish.” (Italics ours.)

In reading and applying to the instant case this opinion of Chief Justice Taney, it should be remembered that at the common law the grant of the use of an article of personal property could be limited as to time, person or place, and that delivery of possession with a restriction upon the use, was not treated with special disfavor by the courts. Upon the other hand, under the principles of the common law, where there had been a vending or sale of an article of personal property the delivery of possession ordinarily passed the entire title and any and all limitations or restrictions attempted to be placed upon the power of alienation or the resale of such article by the vendee or purchaser were jealously scrutinized, always looked upon with disfavor, and generally held void by the courts. Thus, these words “use” and “vend,” occurring in the patent law, should be read and construed by this court with reference to their signification at the common law at the time the patent laws were enacted and Congress will be considered as having used them with their common law meaning.

Again, if any trespass, tort, grievance or wrong is set out in the bill of complaint herein, it is only a technical one; no direct pecuniary damage is alleged to the complainant; hence the bill herein is devoid of equity and under the opinion just cited such bill should have been dismissed upon general principles for lack of equity. It certainly is against all principles of chancery jurisdiction to allow a bill to be maintained and an in-

junction issued where nothing but a technical trespass or wrong is alleged.

In every case in this court, including *Henry v. Dick, supra*, where a bill for patent infringement has been sustained, it has affirmatively appeared that the tort or action of the defendant was depriving the complainant of the profits or tribute which he had placed upon the device. Whereas in the instant case the action of the defendant has in no manner whatever deprived the complainant of any profits which he expected to receive either *in presenti* or *in futuro*, and therefore the main or chief ground for the maintenance of an infringement bill does not exist in the case at bar. To maintain any bill in equity for an injunction, actual and not theoretical harm must be shown.

It is elemental that no special procedure is essential to raise the question of jurisdiction and that it may be presented by special plea, by special demurrer, by motion or by exceptions. It has always been the rule both in actions at law and suits in equity that questions of jurisdiction, whether *in personam* or of the subject-matter, could be most appropriately raised by special appearance and by special plea. The plea in this record follows the form approved by Lord Thurlow in challenging the jurisdiction of the English Court of Chancery in *Cunningham v. Wegg*, 2 Bro. Ch., 241, which form has been adopted by Mr. Justice Story in his work on Equity Pleadings, 3rd Edition, Sections 716 and 717.

This Supreme Court is the only court created by the Constitution. All other federal courts are created by Congress and their jurisdiction is dependent solely upon the proper construction of the acts conferring jurisdiction upon them. When a question of jurisdiction is raised through the construction of an act of Congress,

the court to which such question is presented has, of course, the power in the first instance to pass upon or decide it. It cannot, however, by construction enlarge the jurisdiction conferred under a proper interpretation of the act. Where the challenge of the jurisdiction has been in no manner waived and the defendant insists upon it as the sole question involved, whatever the ruling of the lower tribunal may be, it is subject to direct review by this court. Jurisdiction being raised the first natural step is to examine the bill of complaint or the declaration, as the case may be. If such examination discloses that the necessary facts to confer jurisdiction are not set out in the pleading, the plea to the jurisdiction should of course be sustained. If, however, such examination discloses that the pleading does set out all the facts necessary to make a *prima facie* case and to bring the controversy whatever it may be within the jurisdiction of the lower federal tribunal, it by no means follows that such tribunal has jurisdiction. The powers of the court below depend upon the meaning and proper construction of the acts of Congress, not upon what the pleader has alleged. The jurisdiction of federal courts does not depend upon the ingenuity of lawyers, nor the allegations which they may make in their pleadings. It does depend upon the proper construction of the acts of Congress relating thereto.

All the lower federal tribunals are courts of limited, not general jurisdiction, and they depend for their powers upon the acts of Congress creating them. They may be appropriately termed special courts. It is true that in some instances, such as where the jurisdiction depends upon diversity of citizenship, the lower federal courts act as common law courts or those of general, not limited, jurisdiction. It may be that in such cases, where the

necessary amount is involved, a mistaken ruling of the lower court upon the question of jurisdiction, like any other rulings of such court, can only be reviewed by ordinary appeal. Under such a ruling and under such a case, the lower tribunal does not act as a special court or one of limited jurisdiction, but as a court of general jurisdiction. Under such a record the court below does not exceed its authority but simply commits error in its ruling, and to this effect is the decision of this court, *In re Metropolitan Trust Co.*, 218 U. S., 312. Where, however, the court below acts, not as a court of general jurisdiction, but as a special court or one of limited jurisdiction, the rule is entirely different. The court of claims, the customs court, the commerce court, and the circuit courts, now abolished by the power of Congress, hence more properly the district courts, in admiralty, copyright and patent cases, all act as special courts or courts of limited jurisdiction. They do not act as common law courts or those of general jurisdiction and can exercise no powers except such as are directly or incidentally conferred, and to bring a case within such powers, the whole record or facts must disclose affirmatively a case within the granted powers. This principle is well illustrated by the decision of this court in *The Ira M. Hedges*, 218 U. S., 264, where it said on p. 270:

“The admiralty has a limited jurisdiction. If there are no merits in the claim, it is of a kind that the admiralty not only ought not to enforce, but has no power to enforce. At all events, the form of the decree must be taken to express the meaning of the judge. If the decree was founded, as it purports to be, on a denial of jurisdiction in the court, this court has jurisdiction of the appeal. For all admiralty jurisdiction belongs to courts of the United States as such, and therefore the denial of jurisdiction brings the appeal within the established rule.”

The mere fact that the bill is so drawn as to present a case arising under the patent laws is not final. If the real facts show, as we contend they do here, a case solely cognizable by the state courts, the allegations of the bill become immaterial. It is thoroughly settled under the decisions of this court that the whole record will be examined upon questions of jurisdiction, and in many cases this court has of its own volition raised the question of jurisdiction although presented in no manner in the court below. The federal courts do not have any more exclusive jurisdiction in patent cases than they have in admiralty cases. Yet in the *Hedges* case just cited this court not only allowed but decided the question of jurisdiction upon a direct appeal. In the instant case the sole issue raised was by special appearance and by special plea a question of jurisdiction and this question must necessarily depend upon the admitted facts shown by the record and not upon the allegations of the pleader in his bill. Where the defendant raises and stands upon the question of jurisdiction only, he is entitled to have this question determined by this court, whatever the allegations of the counsel for complainant may be. The principle for which we contend has been very recently announced by this court in *Procter & Gamble Co. v. United States, et al.*, 225 U. S., 282. In that case a special demurrer and a motion to dismiss were interposed to the jurisdiction of the commerce court and this court decided that under the proper interpretation of the acts of Congress that court had no jurisdiction. So under the admitted facts of this case and the proper interpretation of the word "vend" in the act of Congress, we claim and insist that the court below was devoid of jurisdiction.

*Pratt v. Paris Gas Light and Coke Company*, 168 U. S., 255, and kindred cases have no bearing whatever upon the question raised by this record. The question of

jurisdiction is not in this case raised as an incidental or collateral issue arising during the trial of the cause and so raised before a common law court or one vested with full general jurisdiction; but it is raised directly as the sole and controlling issue in the case before a tribunal of special and limited jurisdiction. It is of course true, as was decided by this court in *Henry v. Dick*, *ante*, that if a bill states a case within the patent laws and the interpretation given to those laws is consonant with the claim made in the bill, then the court has jurisdiction. In that case, however, if the question of jurisdiction had been properly raised below as it has been in this case, and this court had given a different interpretation or meaning to the word "use" in the statute, then the judgment must have been as it was in the *Procter & Gamble Case*, *supra*, that the lower tribunal was without jurisdiction.

Under the acts of Congress jurisdiction does not depend upon the bill, nor even the answer, but if from the whole record it is evident jurisdiction is lacking, then the suit must be dismissed. In *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S., 282, this court said on page 287:

"Now as the bill in this case differs from an ordinary bill for infringement only in the fact that the suit is by a licensee against two defendants, one of whom is the licensor and owner of the patent, and the license is set forth only for the purpose of showing title, there would be no difficulty whatever in sustaining it were it not for the question whether we are not also bound to consider the averments of the answer. We think this difficulty is practically settled by a reference to Section 5 of the jurisdictional statute of 1875 (18 Stat. at L. 470, 472, Chap. 137) which provides 'that if, in any suit commenced in a circuit court, it shall appear to the satisfaction of the said circuit court, at any time after such suit has been brought, that such suit does not really and sub-

... involve a dispute or controversy properly within the jurisdiction of said circuit court, the said court shall proceed no further therein, but shall dismiss the suit.' While it seems reasonable to say that a jurisdiction once acquired by the filing of a proper bill ought not to be taken away by any subsequent pleading, the statute is peremptory in this particular, and requires the court to dismiss the case whenever *at any time* it shall appear that its jurisdiction has been improperly invoked."

In the case at bar the court must under the authority of the above case consider all the facts of both the bill of complaint and the plea in arriving at a conclusion as to whether this case arises "under the inherent meaning and effect of the patent laws." The bill of complaint in addition to the general charge of infringement sets forth the particular tort or grievance complained of. The additional facts set forth in the plea, which was set down for argument and therefore stand admitted, clearly limit all allegations in the record to a violation of the terms of the placard by resale at a lower price than that set forth therein.

Judge Baker in considering the question of jurisdiction in the Victor case says on page 426:

"But again, the defense whether put in by the defendant or by the plaintiff for him, cannot change the nature of the action."

This statement when applied to a case originating in the federal courts is, we maintain, squarely against *Excelsior Wooden Pipe Co.*, just referred to and against the statute therein quoted. If the bill of complaint, or the plea, answer or proofs, show facts which raise the contention that the suit is merely for a breach of private contract and not one under the patent laws, then the court is bound to consider the question.

That jurisdiction is amply certified and is now here



for decision, this court has determined in the following cases:

- Globe Newspaper Co. v. Walker*, 210 U. S., 356.  
*Simmons v. The Jefferson*, 215 U. S., 130.  
*Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*,  
 185 U. S., 282.  
*United States v. Jahn*, 155 U. S., 109.  
*Ex parte New York & Porto Rico Steamship Co.*,  
 155 U. S., 523.  
*Re Lehigh Mining & Mfg. Co.*, 156 U. S., 322.  
*Shields v. Coleman*, 157 U. S., 168.  
*Am. Sugar Ref. Co. v. New Orleans*, 181 U. S., 277.  
*United States v. Larkin*, 208 U. S., 333.  
*Davis v. C. C. C. & St. L. Ry. Co.*, 217 U. S., 157.

If, however, any possible question should arise in the mind of this court as to whether the record is technically and correctly here for consideration and decision, we beg to suggest that the question presented is one of broad public interest, and not one involving merely the rights of private parties. We further suggest that for years parties litigant have been desirous of an authoritative decision from this court upon the question involved so that their rights might be finally settled and a guide furnished as to all future transactions. The opinions of the lower courts were in unanimity; no certificates of diversity of opinion could be obtained, and until the case of *Henry v. Dick*, no reasonable ground could be presented within the rulings of this court for a *certiorari* as apparently no question except one involving the rights of private parties could be presented. As Mr. Justice Lurton says in *Henry v. Dick*, *supra*, on page 36, referring to the lower federal tribunals:

“To these courts has been committed the duty of interpreting and administering the patent laws. There is no power in this court to review their judg-



ments, except upon a writ of certiorari, or to direct their decisions, save through a certified interrogatory for direction upon a question of law. This power to review by certiorari is one which has been seldom exercised in patent cases."

The result has been a long line of cases in the lower courts following the *Button Fastener* and *Victor Talking Machine* cases. Counsel in this case conceived it possible by a special appearance and a special plea to the jurisdiction to bring the question here for adjudication. If as suggested there is any possible doubt in the mind of this court as to whether this record is properly here, it is certainly within the power of this court to treat this record as a return to a writ of certiorari, which if granted could only bring up the record *verbatim et literatim* as it is now presented. That the question here involved since the decision in *Henry v. Dick* is one of public interest goes without saying and that this court should make an authoritative ruling if for no other purpose than as a guide to Congress in the bills now pending before it looking toward an amendment of the patent law is plain.

We insist that the appeal in this case is properly taken under the decisions of this court, but if we are wrong in this view, under the circumstances, such appeal should be, as it may be, treated as a return to a writ of certiorari.

The method pursued by appellant in permitting the bill to be taken against it *pro confesso* for the purpose of speedy hearing by this court on this question of jurisdiction has precluded the introduction into the record of proofs to show the wide extent to which the practice has grown of placarding patented articles, and controlling under the patents by means of those placards the future sale of such patented articles. The numerous

cases cited by us show that a large and constantly increasing practice has grown up among concerns manufacturing devices under patents, of placing on their patented articles notices similar to that in the case at bar and upon violation of the terms of the notice to sue the guilty party for patent infringement. The result as can be readily appreciated is that when a concern like this appellant desires to fix its own retail selling price on goods which it has bought and which it owns (containing a placard such as in the case at bar) it must contest the validity of the patent, an extremely long, tedious and expensive proceeding. Failing in this it must meekly bow to the Czar patentee. Such a condition is intolerable and we feel that this court will recognize that this case while nominally between private parties brings to this court a question fraught with the utmost importance to patentees, retailers and the *purchasing public*. For it should be borne in mind, that if this price restriction cannot be enforced under patent authority it is, under the statutes of many states, and in our opinion at the common law, illegal, and the public are being forced to pay exorbitant prices for articles, the retail selling price of which would be materially reduced under natural and healthful competition, if unrestricted by false doctrines concerning patent monopolies.

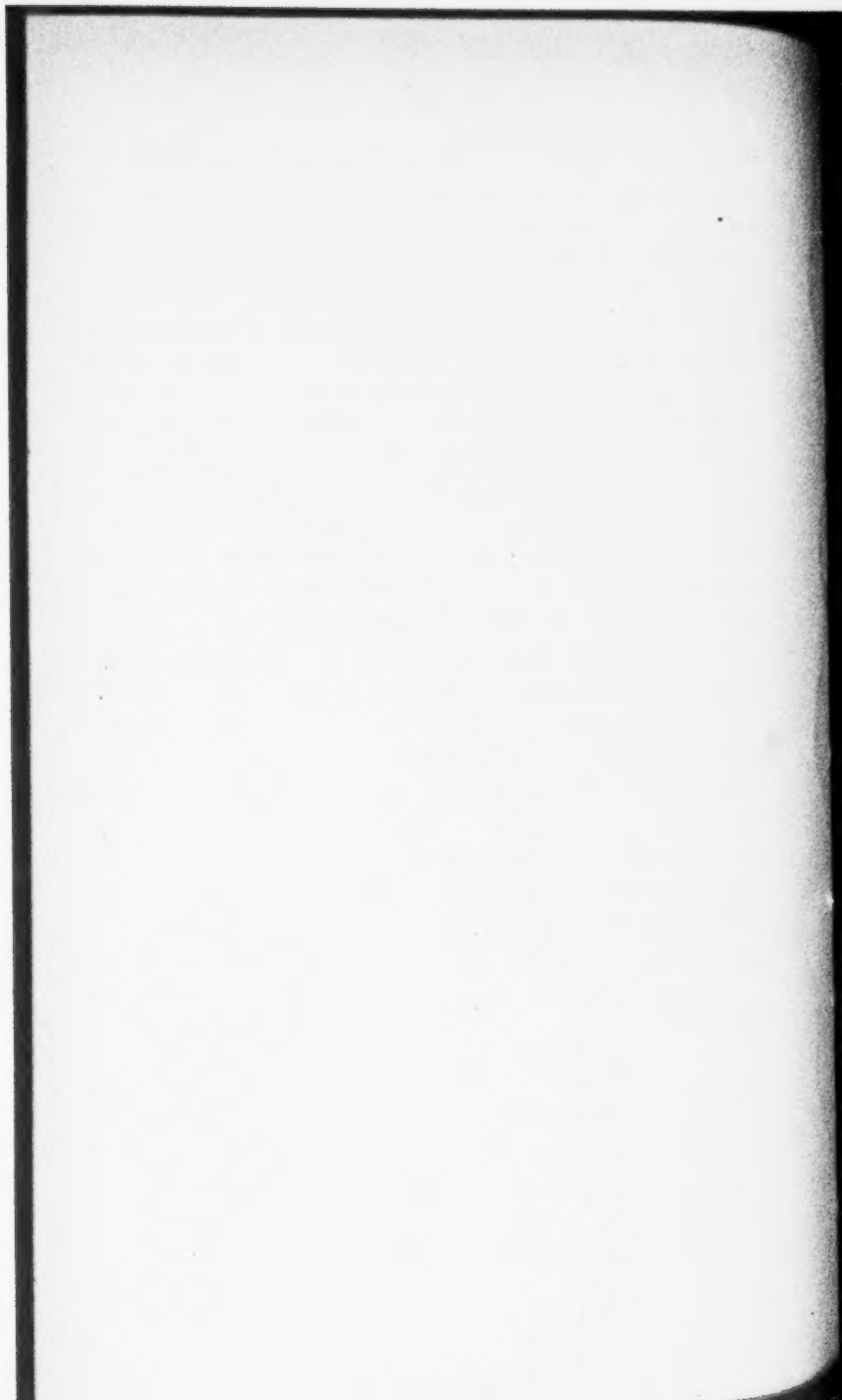
Respectfully submitted,

WALTER H. CHAMBERLIN,

DAVID S. WEGG,

*Counsel for Appellant.*

CHICAGO, December, 1912.



# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1912.

No. 169.

(October Term, 1910. No. 784.)

---

**THE FAIR,**

Appellant,

vs.

**KOHLER DIE & SPECIALTY COMPANY,**

Appellee.

Appeal from the Circuit Court of the United States for the Northern  
District of Illinois.

---

## REPLY BRIEF OF APPELLANT.

---

It is conclusively shown by the record, and admitted by counsel for appellee, that appellant filed a special appearance objecting to the jurisdiction; that it also filed a special plea to the jurisdiction; that such plea was set down for argument and thereby the facts set forth therein were admitted; that such plea was overruled; that no other or further proceedings were thereafter had or taken by appellant prior to decree; and that the final decree entered was one in form *pro confesso* reciting "that the time for

appearance by the defendant has long since expired and no appearance except the special appearance for the sole and only purpose of objecting to the jurisdiction has been entered," etc. That thereafter appellant prayed an appeal upon the sole question of jurisdiction for the reasons set forth in its assignment of errors; and asked a formal certificate upon the question of jurisdiction; that such formal certificate was refused but the petition for appeal was allowed "upon the question of the jurisdiction of this court over the subject matter of this cause, as prayed." In his opinion the Judge said: "No proceedings did occur in this case, however, on the part of the defendant except the filing of the plea which the defendant claims is a plea to the jurisdiction."

It is patent from the record and the argument of appellee, that no issue was made or raised upon the merits and no question in regard thereto was passed upon or decided by the court below; and that the sole and only question in contest was one of jurisdiction. This stands admitted by counsel upon both sides, by the entire record and the opinion of the presiding judge.

Counsel for appellee, however, raise two questions, both of which are devoid of merit:

I. No formal certificate of jurisdiction was signed by the circuit judge, and

II. No such certificate was signed at the proper term.

#### I.

Counsel for appellee contend that the record presented to this court in this case is not sufficiently certified, under Section 5 of the Act of 1891, to confer jurisdiction upon this court; and upon this question *Maynard v. Hecht*, 151 U. S., 324, is cited. That case was an action at law under

a general appearance and general demurrer; trial by jury; a verdict, and judgment on the verdict.' After verdict the defendant moved for a new trial and raised the question that the amount in controversy was insufficient to confer jurisdiction upon the court below. A writ of error in the ordinary form was granted, which brought up the entire case on the merits for review. No certificate in any form was *applied* for, or granted by the court below, on the question of jurisdiction, and the entire record on the merits came here. A motion to dismiss was granted by this court upon the ground that the record upon the question of jurisdiction was not properly certified. There can be no possible contention over that decision, as there was a simple writ of error in the ordinary form, a trial upon the merits, a verdict, and judgment. There was nothing in the nature of or equivalent to a certificate from the court below showing that jurisdiction had been involved, or that the record sent to this court presented that question only.

Very many subsequent decisions of this court have held that a record, such as is presented in this case, is sufficiently certified.

*In re Lehigh Mining and Manufacturing Company, Petitioner*, 156 U. S., 322, was an action of ejectment. A plea was interposed that a collusive conveyance had been made for the purpose of conferring jurisdiction on the Circuit Court of the United States. The plea was sustained and a final judgment was entered dismissing the action for want of jurisdiction. The plaintiff then prayed for a writ of error to this court upon the question of jurisdiction and the writ was allowed "as prayed for." Plaintiff requested a formal certificate under Section 5. The circuit court refused the certificate. Upon application to this court for a mandamus, the petition was dismissed upon the ground

that the record was sufficiently certified within the act of Congress.

*Shields v. Coleman*, 157 U. S., 168, was a case of conflicting receiverships between a state court and a circuit court of the United States, where the state receiver first acquired possession. Proceedings were had in the court below culminating in a final decree establishing certain liens and ordering the property to be sold. The state receiver prayed an appeal upon the ground that the federal court had no jurisdiction to oust him from possession. The court, in allowing the appeal, stated:

“This appeal is granted solely upon the question of jurisdiction.” (Page 176.)

In holding this a sufficient certificate within the Act of Congress, and in considering prior cases, this court said (p. 176):

“It is not necessary that the word ‘certify’ be formally used. It is sufficient if there is a plain declaration that the single matter which is by the record sent up to this court for decision is a question of jurisdiction, and the precise question clearly, fully, and separately stated. No mere suggestion that the jurisdiction of the court was in issue will answer. This court will not of itself search, nor follow counsel in their search of the record to ascertain whether the judgment of the trial court did or did not turn on some question of jurisdiction. But the record must affirmatively show that the trial court sends up for consideration a single definite question of jurisdiction. And that is here shown. The petition for an appeal is upon the single ground that the court wrongfully took jurisdiction of the property, because it was then in the possession of the state court, and in the order allowing the appeal it is explicitly stated that ‘this appeal is granted solely upon the question of jurisdiction,’ and the court at the same time reserved to itself the right, which it subsequently exercised, of determining what portions of the proceed-

ings should be incorporated into the record sent here for the purpose of presenting this question."

The similarity of the records in the instant case and in *Interior Construction Company v. Gibney*, 160 U. S., 217, would seem to preclude further consideration of the question. In the latter case, a plea to the jurisdiction was inserted. This plea was demurred to. The demurrer was overruled and judgment entered for defendant. The plaintiff thereupon presented its petition for review upon the sole ground of jurisdiction, and assigned three errors—which are *mutatis mutandis* precisely the same as those presented by this record. The petition was allowed and this court maintained jurisdiction, saying, on page 219:

"The record shows that the only matter tried and decided in the Circuit Court was a demurrer to the plea to the jurisdiction; and the petition, upon which the writ of error was allowed, asked only for the review of the judgment that the court had no jurisdiction of the action. The question of jurisdiction alone is thus sufficiently certified to this court, as required by the act of March 3, 1891, c. 517, Sec. 5, 26 Stat. 828; *In re Lehigh Co.*, 156 U. S. 322; *Shields v. Coleman*, 157 U. S. 168."

It conclusively appears in the case at bar that the contested question was jurisdiction, and that no merits were involved; that the entire record certified shows this, and this only, and that the appeal was prayed for and allowed upon the sole question of jurisdiction. Under such facts, the case of *Smith v. McKay*, 161 U. S., 355, seems on "all fours" with the one here presented and decides that the objection to certification is not well taken. MR. JUSTICE SHIRAS, in delivering the opinion of the court, on page 357, says:

"The record discloses that the defendants below appealed upon the express ground that the court erred in taking jurisdiction of the bill and in not dis-



missing the bill for want of jurisdiction, and prayed that their appeal should be allowed, and *the question of jurisdiction* be certified to the Supreme Court, and that *said appeal was allowed*. The certificate further states that there is sent a true copy of so much of the record as is necessary for the determination of the question of jurisdiction, and as part of the record so certified is the opinion of the court below, in accordance with which defendants' motion to dismiss the cause for want of jurisdiction was denied. It, therefore, appears that the appeal was granted solely upon the question of jurisdiction, and this brings the case within the rulings in *Shields v. Coleman*, 157 U. S. 168, and *In re Lehigh Mining Co.*, 156 U. S. 322."

In *Petri v. F. E. Creelman Lumber Co.*, 199 U. S., 487, it appeared that pleas to the jurisdiction were filed and sustained. A writ of error was allowed solely upon the question of jurisdiction. It was held it thus appeared from the record that jurisdiction was the sole question involved and no formal certificate was necessary.

In *Chicago v. Mills*, 204 U. S., 321, no formal certificate, such as is contended in this case should have been made, was signed, but this court, in maintaining jurisdiction, said, in exact accord with the proceedings in this case, on pages 325 and 326:

"The record discloses that the appeal was allowed to this court solely upon the question of the jurisdiction of the court as a Circuit Court of the United States. A certificate entered the same term at which the appeal was allowed sets forth that the city objected to the jurisdiction of the court as a Federal court, and that the appeal was prayed solely upon the question of jurisdiction of the court as a Circuit Court of the United States, and that the appeal was granted solely upon the question of jurisdiction."

In *Globe Newspaper Co. v. Walker*, 210 U. S., 356, an action at law was brought for damages for an alleged infringement of a copyright of a map. Objections to the

jurisdiction were made and these objections were renewed in various forms during the trial. These objections were overruled. An appeal was taken to this court on the question of jurisdiction. The objections to the jurisdiction made below were sustained, and the only certificate was, as appears from the opinion of this court on page 361 :

“The court made a certificate that the denial of the motions aforesaid was based in each case solely upon the ground that the cause set forth in the declaration was one, in the opinion of the court, which arose under the copyright laws of the United States, whereof the Circuit Court of the United States had jurisdiction, and in any event, its action was controlled by the opinion of the Circuit Court of Appeals in 140 Fed. Rep. 305.”

The foregoing opinions are conclusive against the objection made by counsel for appellee.

## II.

Under a multitude of decisions of this court no direct appeal can be taken until after final decree. We may admit that the appeal should be taken during the term at which final decree was rendered, although this is not necessary, as the two years limit would apply. The all-sufficient and only answer to this contention of counsel for appellee is, that the appeal was so taken. No intervening term occurred. All the proceedings took place at the same term, to-wit, the October term of the lower court, and we find nothing whatever in this point requiring a reply.

Respectfully submitted,

WALTER H. CHAMBERLIN,  
D. S. WEGG,

*Counsel for Appellant.*

CHICAGO, January 25, 1913.

# SUPREME COURT OF THE UNITED STATES.

---

OCTOBER TERM, A. D. 1910.

No. 784.

---

THE FAIR,  
Appellant,

VS.

KOHLER DIE & SPECIALTY COMPANY,  
Appellee.

---

## BRIEF FOR APPELLEE.

---

*May it please the Court:*

It is true, as counsel for appellant have stated, that appellant and appellee are corporations of Illinois and citizens of that State. It is likewise true that the bill of complaint in this case was predicated upon a patent of which it charged infringement because of the violation of the terms of a certain license, and that a decree was entered, to which we shall hereafter more particularly refer, granting an injunction against the defendant, and under these circumstances. we are unable to see why this is not a patent case, or, in other words, arising under the patent laws of the United States. However this may be, the first question for determination is by what judicial

machinery the case reached the Supreme Court of the United States?

**CASE NOT PROPERLY CERTIFIED TO SUPREME COURT.**

We will briefly outline the steps taken in the cause up to the appeal. Beginning with the amended bill of complaint, we find that it charged infringement of a patent, both generally and specifically. For instance, in paragraph 4 of the bill of complaint, printed on page 4 of the Record, it will be observed that there was a general charge of infringement by the defendant because it has, without license or permission, made, used or sold, and is now selling and threatens to continue to sell a large number of gas-heating devices made according to and containing the invention covered by the patent in violation and infringement of the rights secured by said patent. Again, the defendant is charged with specific infringement in selling the device of the patent at a price of \$1.25 each, when its license to sell had restricted it to a selling price of not less than \$1.50. To this bill the defendant entered a special appearance for the purpose of objecting to the jurisdiction, and then filed what it called a plea to the jurisdiction (printed on pages 9 and 10 of Record), in which it made two independent allegations, to wit: (1) That the complainant has a fixed price at which it sells its patented device to jobbers, and that every device sold by The Fair to its customers was purchased by a jobber from the complainant at the full price demanded from the jobber. (2) That the Circuit and Superior Courts of the State of Illinois have full jurisdiction of the questions arising in this suit. To this so-called plea to the jurisdiction the complainant interposed two objections, (1) that it was not properly a plea and should therefore be stricken from

the files, and (2) that assuming, for the sake of the argument, that it was a proper plea, it did not set forth such a defense as would defeat the action. Judge Kohlsaatt overruled the first objection, although he himself characterized the plea as in the nature of an answer, and then sustained the second objection overruling the plea to the jurisdiction and requiring defendant to answer. These two rulings will be found on page 11 of the Record. The latter of these two rulings provided:

"It is ordered that the said special plea be, and the same is hereby overruled for insufficiency, and the defendant is given ten days in which to file its answer."

Defendant did not then pray an appeal or petition to have the case certified to the Supreme Court, but simply waited until the ten days expired, and in fact for some months, and did nothing. Complainant therefore moved for a decree *pro confesso*, which was entered October 12, 1910. On the 8th of November, 1910, defendant prayed an appeal to the Supreme Court of the United States, and filed with the clerk of the Circuit Court a proposed certificate and petitioned the Circuit Judge to sign such certificate. This proposed certificate is printed at the bottom of page 14 and and first three-fourths of page 15 of the Record. The Circuit Judge, however, refused to sign this certificate, and in explanation of his declination entered the following opinion:

"The Court of Appeals of this circuit in *Victor Co. v. The Fair*, 123 F. R. 424, held that the subject-matter of the plea inserted in this cause only presented a question within the patent laws and covered by them. Such decision settled the law for this court. Following that decision the plea herein inserted was overruled. Under such circumstances I MUST REFUSE A FORMAL CERTIFICATE UPON THE QUESTION OF JURISDICTION. No proceedings did occur in this case, how-

ever, on the part of the defendant except the filing of the bill which the defendant claims is a plea to the jurisdiction. KOHLSAAT, C. J."

It will therefore be observed that the Circuit Judge has not certified the case to the Supreme Court, and on the contrary has declined to give such certificate. It is true that in his opinion he states that no proceedings did occur on the part of defendant except the filing of the plea to the jurisdiction, but this statement is manifestly a mistake as the transcript of the record shows, in that, as we have before stated, a decree *pro confesso* was granted October 12, 1910, after due notice to the defendant, and defendant appeared at that decree and opposed it as to the amount of costs, arguing that the docket fee should not be charged against it because it was not a final decree.

On this state of facts our first point, therefore, is that this appeal is not properly lodged with the Supreme Court of the United States, for the reason that the Circuit Judge has not certified the case up to the Supreme Court as is required by the statute, and appellant has not applied to the Supreme Court for certiorari ordering the case to be sent up. In this connection we call attention to a decision of the Supreme Court which seems precisely in point. In the case of *Maynard v. Hecht*, 151 U. S., 328, an attempt was made to take a writ of error to the Supreme Court from the decision of the Circuit Court to the effect that it had jurisdiction of the cause. The writ of error was allowed by the Circuit Court, but no certificate of question for decision was applied for or granted by the court. Upon this state of facts the Supreme Court said:

"But in any view the absence of the formal certificate cannot be helped out by resort to these papers (meaning the writ of error). The inquiry is

not whether we can ascertain the question sought to be presented, but whether we can exercise jurisdiction under the Statute, which *we cannot* if the certificate is an absolute prerequisite as *we hold it to be*. And upon that ground we dismiss the writ without discussing whether the question of jurisdiction indicated could properly be held to have been in issue, or whether, if so, the case would fall within the fifth section."

Likewise in the case of *Colvin v. Jacksonville*, 157 U. S., 368. In that case the statement of the case shows that the bill was dismissed by the Circuit Court December 4, 1894, for want of jurisdiction, and an appeal made and allowed to the Supreme Court, but after being docketed this appeal was dismissed April 1, 1895, because of the absence of a certificate of the Circuit Court in accordance with Section 5 of the Judiciary Act of March 30, 1891.

**NO CERTIFICATE OR APPEAL DURING THE TERM WHEN THE JUDGMENT AS TO JURISDICTION WAS RENDERED.**

Referring to the Record, page 11, near the bottom of the page, it will be found that on the 4th day of April, 1910, being one of the days of the December term, 1909, the judgment overruling the plea to the jurisdiction for insufficiency was entered. The petition for appeal was not filed until November 8, 1910, as appears at the bottom of page 13 of the Record. The refusal by the Circuit Judge to issue a formal certificate upon the question of jurisdiction was filed November 8, 1910, and this day it appears was one of the days of the regular July, 1910, term of said court, as may be ascertained by reference to the certificate of the clerk just below the middle of page 15 of the Record. In other words, neither the proposed certificate nor the order of the judge refusing to sign it, nor the actual petition for appeal, were filed until the 1910 term, although the judgment affirming the

jurisdiction was made in the 1909 term. Under these circumstances, we submit, the Supreme Court must dismiss the appeal under the doctrine of *Colvin v. Jacksonville*, 158 U. S., 457, where Chief Justice Fuller, speaking for the court, said:

“We are of opinion that where the jurisdiction of the court below is in issue and the case is certified to us for decision, the certificate must be granted during the term in which the judgment or decree is entered, by analogy to the statutory provisions on that subject which obtained in relation to certificates of division of opinion. . . .”

**APPEAL FROM DECREE PRO CONFESSO DOES NOT PROPERLY RAISE  
QUESTION OF JURISDICTION.**

We have adverted to the fact that when the Circuit Judge overruled a plea to the jurisdiction he instructed defendant to answer within ten days. We now submit that the proper course for defendant to have pursued was to at that time give notice of record that he “stood upon his plea” and ask the judge to modify his order overruling the plea to eliminate the instructions to answer over within ten days and to make the order a final judgment so that a petition might be at once made to certify the case to the Supreme Court on the question of jurisdiction. This counsel for defendant failed to do. He did not give notice that he stood upon his plea, and consequently the order was entered in the form to which we have adverted, and by which he was required to answer within ten days, and against this order no protest was made. No answer was made within ten days, and nothing further was done for months, and then defendant being in default in view of this order, motion was made for a decree *pro confesso*, which was granted. This decree is printed on page 12 and 13, Record. The orders of the decree are : (1) That the bill be taken as



confessed by the defendant. (2) That the patent be adjudged valid and owned by the complainant and that the defendant had infringed such patent. (3) That the complainant recover nominal damages and costs amounting to \$45.87 (which amount was contested by defendant). (4) That a perpetual injunction be granted against defendant.

Thereupon defendant filed a petition for appeal, in which petition it, amongst other things, stated that the defendant "*Hereby appeals from the said final decree of October 12, 1910, to the Supreme Court of the United States upon the said question of jurisdiction for the reasons specified in the assignment of errors this day filed herein; and it prays that this appeal may be allowed, that said question may be certified to the Supreme Court by the certificate filed herewith . . .*"

It is clear, therefore, that the appeal was taken from the final decree of October 12, 1910, and inasmuch as said final decree entered no order in regard to jurisdiction, we submit that the appeal from that decree is improper and can not be maintained in this court. The questions adjudicated by the decree *pro confesso* are mere questions of procedure and patent law, which are not appealable to the Supreme Court. The appeal was allowed, but the certificate was refused as we have before indicated, the allowance of the appeal being a mere formality. We contend that no appeal has ever been taken from the order of the Circuit Court overruling the plea to the jurisdiction for insufficiency, and in fact no such appeal could have been taken because defendant never gave notice that it stood upon such plea or asked that it be made final, but permitted the proceedings in the cause to continue until a decree was entered *pro confesso*, and then appealed improperly from such decree *pro confesso*, from which an appeal to the Supreme

Court is not permissible under the statute. No doubt it will be argued for defendant that under the authority of many decisions of this court an appeal could not be taken to the Supreme Court until a final judgment and decree was entered. This is true and the force of those authorities is not disputed, but we submit that doctrine gives no support to counsel for defendant in appealing from a decree *pro confesso*. We submit that the proper way to secure the final judgment from which an appeal might be taken to the Supreme Court in this case, was for counsel for defendant, at the time his plea to the jurisdiction was overruled for insufficiency, to have placed on record a statement that he desired to *stand upon his plea*, and that he therefore prayed the court to make its order final, so that it might be appealed from. The court would then, we submit, not have required him to answer within ten days, but would have at once made the order final, and at the request of counsel for defendant would have certified the case to the Supreme Court. It is quite familiar practice for a defendant who files a demurrer or plea, to announce (if such demurrer or plea is overruled), that he stands upon it, so that upon a determination of the question raised in the demurrer or plea, the whole case must rest. In the present case the effect of the plea was to assert that there had been no infringement of the patent, but a mere breach of contract, and that if this conclusion was correct, the Federal Court had no jurisdiction, because a mere breach of contract existing between citizens of the same state could be remedied by a suit in the state court. If the defendant was right in this contention that made an end of the case, and if he was wrong in this contention, that likewise made an end of the case, because his plea admitted that he had done some of the things complained of, and if these acts constituted a

mere breach of contract, and not an infringement of the patent, there was an end to the suit before the Federal Court. And if such acts constituted an infringement of the patent rather than or as well as a breach of contract, then, defendant having confessed the acts by his plea, that made an end of the case and the complainant was immediately entitled to the relief prayed. If, therefore, under these circumstances, the defendant stood upon his plea, the case was at an end so far as the merits was concerned, unless an appeal was taken, and the appeal should have been taken at once from the final judgment overruling the plea. The formal decree *pro confesso* would, of course, necessarily have followed such a final judgment overruling the plea, but that would have been as pure a formality as the issuing of the execution for costs, or any other such matter, for the merits of the case would have been settled by the entry of the final order overruling the plea upon which defendant stood. Instead, counsel for defendant did not stand upon its plea, nor appeal from the order overruling the plea. He allowed the court to enter an order requiring him to answer within ten days, and having failed to comply with this order, judgment *pro confesso* was taken for that reason, and then defendant appealed in express terms from the decree *pro confesso*, which, as we have before stated, made no order regarding jurisdiction. This appeal, therefore, necessarily put in issue the correctness of the findings in the decree which related to the validity of the patent, the infringement of the patent, the propriety of issuing the injunction, etc., and consequently raised other questions than those involving jurisdiction, notwithstanding the assertion that jurisdiction only was involved. Indeed, in the motion to advance the hearing before the Supreme

Court made by counsel for defendant, there occurs the following significant statement:

"This record (less than twenty pages) not only presents the rights of the parties to this suit, but it also involves the jurisdiction of the lower Federal courts; the powers of all patentees; the rights of purchasers from them; and the rights of the purchasing public. This question has arisen many times in the lower Federal tribunals, and, it is self-evident, needs an authoritative decision from this court which will finally settle the rights of the parties under the patent statutes."

This language, in the brief of counsel for defendant, plainly shows that the question of jurisdiction is only a side issue, and what counsel for defendant is really seeking is an authoritative decision from this court which will finally settle the rights of the parties under the patent statutes. This will be perfectly understood, when the preceding part of the motion is read in connection with it, to mean that the question before the Supreme Court which it is desired should be authoritatively settled is the power of the patentee to limit the use of his patented article by placing a placard upon the same fixing the price at which it may be sold. This is no question of jurisdiction, but instead, an interpretation of the patent statutes regarding the extent of the exclusive right, and how a patentee may qualify it, but as to this, we will argue more at length in the next chapter, our purpose at present being merely to show by the printed motion to advance, filed by defendant, that the question of jurisdiction is not the real question admitted to be presented, and that, on the contrary, an effort is being made to determine the rights of patentees and of the purchasing public under the statutes.

As a matter of proper procedure following the doctrine of *U. S. v. Jahn*, 155 U. S., 109, if the defendant desired considered these questions of interpretation of the pat-

ent laws, he should have appealed the entire case to the Court of Appeals and then asked the Court of Appeals to suspend decision on the merits and to certify the question of jurisdiction up to the Supreme Court for determination. As the matter now stands defendant has no appeal, properly speaking, from the judgment affirming jurisdiction, but took his appeal from the decree *pro confesso* which related to the merits, and then declared that it related to the question of jurisdiction; but this declaration manifestly did not evidence his real intention, as is shown by the paragraph quoted from the motion to advance, filed in the Supreme Court in behalf of defendant and printed on the second page thereof.

**DEFENDANT HAS VIOLATED SPECIAL LICENSE GRANTED BY COM-  
PLAINANT AND THEREBY INFRINGED THE PATENT.**

Having called the attention of the court to certain preliminary objections to the manner in which this case has reached the Supreme Court, which in our judgment shows that the procedure employed by defendant is irregular and not in accordance with the restrictions of the statute, we next pass to a consideration of what may be termed the merits of the appeal or the questions sought to be appealed. In order to properly understand this it will be necessary to refer briefly to the pleadings, comprising the bill of complaint and special plea.

The bill of complaint filed by Kohler Die & Specialty Company recited the patent to Victor Kost, No. 822,374, the exclusive rights under which were transferred to the Kohler Die & Specialty Company, the complainant herein. The fourth paragraph of the bill of complaint alleges general infringement by the defendant and threats to continue to infringe. The fifth paragraph of the bill recites that the complainant has a large and

profitable business in the manufacture and sale of devices under this patent and selling to dealers the gas-heating devices embraced in such patent, and in order to maintain that trade complainant sells the devices in each case under a special restriction that it shall not be sold for less price than \$1.50, which is "a condition of such sale," and that as a further method of enforcing the knowledge of the restrictions of the license a label is affixed to the box or package containing each device which reads as follows:

"SPECIAL NOTICE. This Gas Jet Heater is licensed by us for sale and use only when sold to the public at a price not less than \$1.50. No license is granted to sell it to the public at a less price than \$1.50, or to use it if sold at less than such price. Any sale in violation of this condition, or its use when so sold, will constitute an infringement of our United States Letters Patent No. 822,374 (other patents pending), under which this gas-jet heater is constructed, and all parties so selling or using it contrary to the terms of this license will be treated as infringers of said patent and will render themselves liable to an injunction and damages. The license to sell is good only so long as this label remains upon the package, and erasures or removal of this label will be construed as a cancellation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation. KOHLER DIE & SPECIALTY Co., Sole Licensee."

This same special notice will be found printed in the bill of complaint, page 5, Record. Paragraph 6 of the bill of complaint shows that defendant was specially notified of the restrictions of this license and of all the provisions contained therein and warned that they would be insisted upon, and that yet the defendant in the capacity of a dealer or merchant obtained a stock of such patented devices, each bearing the special notice plainly displayed upon it and then proceeded to violate the license

by selling these devices for a sum materially less than \$1.50 each, to-wit, at a price of \$1.25 each and less. Paragraph 8 of the bill provides that the complainant has a large number of other dealers as his customers who have generally acquiesced in the conditions and restrictions of the license as before stated, and that the violation of this license by the defendant tends to induce other dealers to violate the license and is thereby "actually materially interfering with the lawful sale of said gas heating devices by your orator to your orator's said customers and prospective customers, and to the trade generally, and has thereby diverted from your orator large gains and profits." Paragraph 9 provides that the complainant will suffer great and irreparable damage and injury to its business and good will by such a course of procedure by defendant. Paragraph 10 provides that the defendant is still continuing to thus unlawfully sell such devices. Paragraph 11 asks for the usual relief by injunction and accounting. To this the defendant, The Fair, filed a plea in which it stated:

"The said complainant and The Fair are each and both citizens of the State of Illinois; that The Fair has never manufactured any of the devices referred to in the amended bill of complaint herein; that the complainant has fixed a price at which it would sell the devices referred to in the amended bill of complaint to jobbers; that each and every such which has been sold or offered for sale by The Fair was purchased by a jobber from the complainant; that the jobber paid to the complainant the full price demanded for each and every of such articles and resold them to The Fair and that The Fair has never sold or offered for sale any of such devices except those which the complainant has received the full price demanded for them; that The Fair has never used any of the devices referred to in the amended bill of complaint, except those purchased as aforesaid. . . ."

And then further set forth that the Circuit Courts of Illinois have jurisdiction of questions between citizens of the State touching matters such as is set forth in the bill of complaint. Complainant moved to strike the plea from the files on the ground that it was not a proper plea, which motion was overruled and then the plea was set down for argument and the plea was overruled by Judge Kohlsaas as insufficient, as we have before stated. Plainly the plea was not a proper plea, because it was not confined to a single point of defense. It was more in the nature of an answer, as Judge Kohlsaas orally observed at the hearing. Aside, however, from this question of form, we turn to the facts as presented by this bill of complaint and the plea referred to. In the first place, it is to be noted that while the plea argues that The Fair never manufactured or sold or used any device of this kind except those which had been purchased by a jobber or dealer from the complainant at the full price demanded by the complainant from the jobber, yet it does not deny the specific allegations of paragraphs 4, 5, 6 and 7 of said bill of complaint. Paragraph 4 is a charge of general infringement of the patent by the defendant, and as we understand it the plea does not deny this except insofar as it says that any devices which it has sold or offered for sale were purchased originally from complainant at the price demanded by complainant. This, we contend, is not a sufficient denial of the allegations of infringement. There are a great many restrictions which a patentee may place upon articles which he licenses parties to use, other than the mere limitation as to price. For instance, it is well settled that the owner of a patent may grant a person a shop-right merely; that is, a right to manufacture the device only in his own shop, and that this limitation is binding. We need not cite cases to support such a universally recognized re-



striction upon the use of a patented right. The owner of a patent may likewise license a party to use the patented device only on his own premises. Such, for example, is the license by the Bell Telephone Company for the use of its telephones. In such case the instrument does not become the absolute property of the user, but only the right to use it under certain conditions specified. Now the general charge of infringement in paragraph 4 of this bill of complaint has not been denied specifically or in substance by the plea. It might be very true that all the devices the defendant has sold were bought from a jobber and that the jobber paid to the complainant the price demanded, but that the property right in these devices remained in the complainant and that they were subject to similar conditions for use, etc., as are the telephones of the Bell Telephone Company, or were sold with the restrictions upon them that they should only be used to communicate between the various departments of The Fair and that any other use would be a violation of the license, outside the license and constitute an infringement. We merely cite these instances of possible restrictions of other natures to indicate that there has been no formal denial in the plea filed by the defendant in this general charge of infringement contained in paragraph 4 of the bill of complaint. It is true there is a special denial that The Fair has always paid the full price demanded, but so do purchasers of shop-rights and purchasers of Bell telephones, etc. There has been no attempt to deny the general charge of infringement contained in this paragraph, and the mere specific statement that The Fair has paid the price demanded by the jobbers has not the effect, we submit, of a general denial of infringement, because there might be a variety of other conditions imposed under which the property rights never passed to The Fair, and its sale or use by The Fair

outside of those restrictions constitute a violation of the right conveyed just as completely as would the manufacture outside of a shop by a party to whom only a shop-right was given, or the sale of a telephone by a party who was only authorized to use it under certain conditions. We submit, therefore, that this fourth paragraph not having been denied in any effective way in the plea, affords plain grounds for the jurisdiction of the Federal Court and their decree *pro confesso* was therefore properly granted and cannot be set aside by the allegations of the plea, asserting merely that The Fair and the jobbers through whom The Fair purchased have paid the full price demanded by the owners of the patent for the privileges which it extended to them whatever those privileges might be, for such privileges were restricted and might, as a matter of fact under this clause of the bill of complaint, be restricted in a variety of ways. Section 4884 of the Revised Statutes provides that every patent shall contain "A grant to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to *make, use, and vend* the invention or discovery throughout the United States and the territories thereof. . . ." It has been frequently decided that this grant is disjunctive; that is to say, the patentee has the exclusive right to use, and may assign that right; and that the patentee has the exclusive right to vend, and may assign that right. In other words, these three distinct rights are separate and distinct and may be employed or disposed of independently. Manifestly, therefore, they are coextensive. That is to say, if a patentee has the right to grant a limited right to make, for instance, only in the shop of a maker, which is ordinarily termed a shop-right, and which has been recognized as a proper separate grant from the time the first patent system began, then he likewise must have the privilege

of granting what may be termed a shop or office use, such as the telephone company grants; and he has equally the capacity under this statute to grant the right to vend under conditions or restrictions comparable and equivalent to the restrictions of the maker in the case of a shop-right or the user in the instance of the telephone. How can a court say that Congress, who authorized each of these rights, meant to create an inherent possibility of limitation of the right to make and the right to use, but not of the right to vend? What authority is there for interpreting this statute in such an inconsistent manner when applied to the three distinct rights conveyed under it?

Does the Constitution hint at such a thing when it gives Congress the right to give to inventors and discoverers the exclusive rights to their inventions for limited periods? Can it be said that the statute carrying out this principle of the Constitution is to be limited in a manner not expressed and plainly not contemplated when it was framed so as to make no distinction in the capacity of restriction which the patentee may apply to one form of grant or the other? We think not.

But, says counsel for appellant, complainant's remedy is for breach of contract, and not by a suit for infringement. Is the remedy for violation of a shop-right license a suit on a contract? No, it is a matter of public knowledge that if a patentee grants a shop-right and the licensee uses elsewhere than in the shop, he is liable for infringement. Why? Because the use outside of the shop is without right or license! In the same manner we submit the complainant granted the defendant only a special license; that is, a license to sell the device at a price not less than \$1.50 each, and when a sale was made at a less price it certainly cannot be said to be a sale by permission, and therefore it was a sale outside the grant,

and infringement of the patent. The complainant herein had the exclusive right under the patent. It never gave up that right. The entire right, even for a single article, was not disposed of, but a partial right was conveyed. This partial right was to sell under certain restrictions as to price. The purchaser therefore does not get complete title to the article, but only a title subject to certain limitations. The complete right belongs to complainant, and it does not choose to dispose of it absolutely. It is a part of the exclusive monopoly that complainant has the right not to sell it at all, or to fix the terms upon which it will sell it. Complainant gave notice directly and also by the label on the box, that any sale made in violation of these limitations imposed would be a sale outside of the patent rights which it granted, and therefore without the permission of the owner of the patent; consequently, such a sale would be an infringement of the patent. That is the only way the complainant company can realize a proper return for its patent privileges. If The Fair is permitted to sell to users for less than \$1.50 each, then, of course, the users will be educated to buy at that price, and that price only, and very soon they will not buy at any greater price. Consequently, all the other jobbers to whom complainant sells and who wish to comply with the conditions of the license, will be forced either to stop buying from complainant, or else violate the license, and shortly there will ensue a condition of chaos with reference to complainant's business. Many jobbers have not the means to compete with The Fair, and cannot afford to sell these articles at a less price than \$1.50. Some other jobbers do not care to undertake to sell at cost merely to make the article a leader, and beguile the public into the belief that all other articles are sold at a correspondingly reduced price. The complainant must protect all these jobbers, or else the bulk

of its business is gone, the trade in its device is demoralized, and it will get no adequate return for its patented device. Therefore, the complainant declares to all jobbers alike that it will not part with the entire and unrestricted title to the articles; that it will not make an outright sale, but will only grant a license to sell under certain restrictions, so as to protect its trade; that anyone who sells regardless of these restrictions sells without license or permission, and therefore is an infringer. It is not a question of contract, but a question as to the extent of the license given to sell under the patent. It is a question whether the owner of the exclusive rights under the patent may not only place restrictions upon the manufacture of the article, such, for instance, as confining the licensee to the manufacture in his shop; or limitations as to the use of the article, such, for instance, as the use of the man's own premises, as in the case of the telephone; or equivalent reservations as to the sale of the article. In one sense every grant under a patent is a contract. If a patentee grants another person the right to make, without granting him the right to use, which has many times been decided to be proper, that in a sense is a contract, for of course the authority to make such a grant must be coupled with the agreement to accept such a grant before it becomes completed, and therefore, there is a contract between the two persons; but it could hardly be urged that in such case, if the party who was given the right to make, and not the right to use, nevertheless, usurped the right to use, and therefore went beyond the franchise granted him, that a suit for infringement could not be maintained on the ground that it was a mere contract. The point is that it is under the patent, and by virtue of the patent and in accordance with the rights given by the patent, and therefore it is not a mere question of the

breach of contract when a party makes use of an invention, when he was only granted the right to make it, but the tort consists in his going outside of what he was granted and for this sort of a tort the statute gives the right to sue in a Federal court for injunction, as well as for damages. In the same way, the tort in the present instance consists in The Fair going outside of the grant, which was to sell devices only at a certain price, and the tort for which an injunction is asked is the selling below that price. It is that tort which is complained of. Mere damages is not an adequate remedy, as the bill fully sets forth. How is it possible to prove how much complainant's trade will be demoralized by this selling below the price? The only adequate remedy is by injunction and not for breach of contract, and it is this remedy by injunction which the statute gives in patent cases, and which is sought by the present bill of complaint.

The plea to the jurisdiction denies none of these facts. The bill of complaint in paragraph 8 makes special reference to the proposition that the complainant has a large number of customers who purchase the gas-heating device under the conditions of the selling restrictions referred to and that the violation and infringement of the complainant's rights by selling at this lower price tends to induce others to violate the restrictions and has materially interfered with the lawful sale of the gas-heating devices to the complainant's other customers. Paragraph 9 likewise expressly recites that unless this tort committed by the defendant is enjoined, the complainant will suffer great and irreparable damage and injury to its business and good will, for which no action at law would be adequate. There is nothing in the plea which denies these allegations and therefore they must be taken as proved. How then can it be urged

that a mere suit for breach of contract in the state court could give adequate remedy in such a case? We submit that it is plain that the loss to complainant's business by its demoralization in the manner indicated is totally incapable of redress by a suit for breach of contract to recover the difference between \$1.25 and \$1.50, or some other such loss as can be proved, as directly occasioned by the sale of the device The Fair at a price lower than the one at which it was licensed to sell.

It seems also evident that any determination of this question involves an interpretation of the patent statutes, and an enforcement of such statutes and that the state court could not properly do this either on a suit for breach of contract or otherwise. The principle underlying this question is one growing more and more important every day. It has been decided again and again by the courts of appeals. Are they not as competent to decide it as a state court when it is plainly based upon an interpretation of the patent statutes? As we have before observed, counsel for defendant in its printed motion to advance deliberately state that the question not only presents the rights of the parties to the suit and involves the jurisdiction of the Federal courts, but also "the powers of all patentees, the rights of purchasers from them, and the rights of the purchasing public." If this question involves the powers of patentees, the rights of purchasers from them and the rights of the purchasing public, how can it be a question of purely state jurisdiction? Counsel for defendant further says that the question is one which "it is self-evident needs an authoritative decision from this court, which will finally settle the rights of the parties under the patent statutes." Mark the words "*the rights of parties under the patent statutes*"! And yet counsel gravely argue that the circuit judge had no jurisdiction



to determine this far-reaching question arising, as they admit, under the patent statutes, but that it should be relegated to the state court for a decision on an action for a breach of contract! We submit that such reasoning is absurd. Counsel for defendant wants an authoritative decision from the Supreme Court, as they say, which will finally settle the rights of the parties under the patent statutes. And yet, notwithstanding this bold declaration, their whole appeal to this Supreme Court rests upon the proposition that the Federal courts have no jurisdiction to interpret these patent statutes, and that the whole matter should be settled in an action for a breach of contract in the state court! It is doubtless very true that the question *does* involve the power of all patentees, and *does* involve the rights of purchasers from them, and *does* involve the rights of the purchasing public, and *does* very much need an authoritative decision from the Supreme Court which will finally settle the rights of the parties under the patent statutes, as has been admitted on page 2 of the motion to advance filed by counsel for defendant. We should very much like to participate in the argument of such a question before the Supreme Court but we should fail in our duty to our client and in our duty to this court if, for the sake of such an opportunity, we neglected to show to the best of our ability that this appeal is not properly before the Supreme Court, and that the Circuit Court had absolute jurisdiction under the statute to consider the questions of the rights of the patentees, and the rights of the purchasing public under the patent statutes which are here brought in question. The suggestion made on this appeal and made on this motion to advance, that this appeal involves only a question of jurisdiction is a mere pretense and counsel for defendant have virtually admitted this when they, in their motion to advance, state



that it involves the powers of all patentees, *etcetera*, and needs an authoritative determination of this court to settle the rights of parties under the patent statutes. Section 6 of the Act of March 3, 1891, establishing the Circuit Courts of Appeals of the United States provides:

"Sec. 6. That the Circuit Courts of Appeals established by this Act shall exercise appellate jurisdiction to review by appeal or by writ of error final decision in the District Court and the existing Circuit Courts in all cases other than those provided for in the preceding section of this Act, unless otherwise provided by law, and the judgments or decrees of the Circuit Courts of Appeals *shall be final* in all cases in which the jurisdiction is dependent entirely upon the opposite parties to the suit or controversy, being aliens and citizens of the United States or citizens of different states; also *in all cases arising under the patent laws . . .*"

Now, as we have seen, counsel for the defendant admit that this case requires an authoritative decision from this court which will finally settle the rights of the parties *under the patent statutes*, but the statute says that the decisions of the Court of Appeals shall be final in all cases arising under the patent laws. It is true that if counsel for defendant had appealed the entire case to the Court of Appeals the statute gives the Court of Appeals the right to certify the question of jurisdiction to the Supreme Court for determination, but this course counsel for the defendant declined to follow. It is also true that the statute states that it shall be competent for the Supreme Court to require by certiorari, or otherwise, any such case as is made final in the preceding section, to be certified to the Supreme Court for its review and determination. But counsel has not asked the Supreme Court for a certiorari for this purpose. The case is presented, as we have before observed, without a certificate from either the circuit

judge or the Circuit Court of Appeals or an application to the Supreme Court for a writ of certiorari. In short, it is simply bodily taken by the four corners, and to use a homely expression, "pitched" into the Supreme Court without warrant of law or authority of any court. We do not believe that the Supreme Court will wish to warrant or endorse any such irregular mode of procedure. It might be productive of very evil consequences. We do not mean that the Supreme Court would suffer very much, but litigants would suffer; for if such an irregular attempt succeeded, an innumerable number of similar attempts would be made throughout the United States and much hardship and expense would be unjustifiably incurred by defending litigants before the practice could be stopped, as it undoubtedly would soon be stopped by the Supreme Court.

We submit, therefore, that the special plea to the jurisdiction filed in this case fails to reach the serious charges of the bill of complaint upon which are predicated the prayer for injunction and other relief under the patent statutes. Assuming, of course, that the facts stated in the special plea to the jurisdiction are true we must likewise assume that the facts in the bill of complaint not denied by such plea are true and those facts show clearly an infringement under the patent statutes and a damage to complainant's business and good will for which a remedy by action of law would be entirely inadequate and which would be irreparable unless restrained by injunction as authorized under the patent statutes when a patent is infringed or violated. We have thus far discussed this question on principle and apart from specific reference to decisions, for while there are many decisions of the Circuit Courts and of the Circuit Courts of Appeals sustaining our position there has been thus far no authoritative decision by the

Supreme Court in which this point was directly involved and we therefore thought this court would be more interested in a preliminary discussion of the statute and the general principles of law applicable to the same.

**AUTHORITIES SUSTAIN VALIDITY OF SPECIAL LICENSE TO SELL AT  
A RESTRICTED PRICE.**

We will now, however, turn to a consideration of the authorities.

The two cases upon which counsel for appellant seems to principally rely are the copyright cases of *Bobbs-Merrill Co. v. Straus*, 210 U. S., 339 and *Scribner v. Straus*, 210 U. S., 352. We, however, do not think it will be necessary for us to dwell upon these cases at any considerable length in view of the language of the Supreme Court in the first-mentioned of these cases, in which it is said, at the bottom of page 345:

“We may say in passing, disclaiming any intention to indicate our views as to what would be the rights of parties in circumstances similar to the present case under the patent laws, that there are differences between the patent and copyright statutes in the extent of the protection granted by them. This was recognized by Judge Lurton who wrote a leading case on the subject in the Federal Courts (the Button Fastener case, 77 Fed. Rep. 288) for he said in the subsequent case of *Park & Sons v. Hartman*, 153 Fed. Rep. 24, ‘there are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to the one subject are not altogether controlling as to the other.’”

We may remark, however, that the notice to the purchasers which was given in these copyright cases was very different from that given in the present suit and in fact as we shall contend embodied a difference in prin-

ciple rather than a mere verbal difference. In fact, in the copyright case there was merely a special agreement not to sell books at less than the retail price fixed by the publishers and not to sell books to any dealer who cuts prices. The new publisher was required to execute this contract before deliveries were made. This agreement will be found published in the report of the opinion at page 354, 210 U. S. In fact, the cases turned upon the proposition that there was nothing in any of the notices tending to diminish or restrict the title but on the contrary a complete title to the book was given and then a special contract made by the publisher that it would not be sold at less than a given price. In this connection we call attention to the last paragraph, page 354, 210 U. S., which we quote from the opinion in the second case as follows:

"Upon the theory that Macy & Co. had notice of these agreements it was sought to hold them as copyright infringers. Both the Circuit Court (139 Fed. Rep. 193) and the Court of Appeals (147 Fed. Rep. 28) held that there was nothing in any of the notices of a claim of right or reservation under the copyright law, and held that the question was one of the right of the complainants to relief in a court of equity by virtue of their rights, independent of statutory copyright, in view of the alleged conditional sale embodied in the notice as to the copyrighted book."

The Supreme Court affirmed this view and also held that the allegations of the bill as to contributory infringement by inducing dealers to deliver books at retail at less than the prices fixed by the complainants was not satisfactorily proved. Manifestly therefore these copyright cases, aside from coming under a separate statute differ materially as to the facts from the present case, and indeed upon the facts upon which the copyright cases turned, as we have just shown. In the pres-

ent suit there was a *special reservation of rights under the patent law*. It was distinctly asserted that a complete sale was not made but that certain rights were reserved and that any violation of these reserved rights would constitute an infringement under the statute. We quote again from the special notice in the present case in proof of this contention, as follows :

“This gas jet heater is licensed by us for sale and use only when sold to the public at a price not less than \$1.50. No license is granted to sell it to the public at a less price than \$1.50, or to use it if sold at less than such price. Any sale in violation of this condition, or its use when so sold, will constitute an infringement of our United States Letters Patent.”

Thus it will be seen that in the present suit instead of making a complete and unrestricted sale the complainant distinctly reserved rights under his patent and declared that the violation of any of these reserved rights would be an infringement of his patent. This, therefore, clearly distinguishes the present case from the copyright cases where the court held “there was nothing in any of the notices of a claim of right or reservation under the copyright law.”

We submit there is a clear difference in spirit as well as in verbiage between the two notices. In the copyright cases the license to publish the books was granted so as to divest the licensor absolutely of all title not only to the book but to publish and sell the book under the copyright without any reservation or restriction as to the right of the owner of the copyright. Then a special contract was made with the publisher that he should not sell at less than a certain price. As the court very properly says, this contract was not by virtue of the copyright statute but made under the common law. There could be no violation of the copyright if the books were sold at a

less price than agreed upon but merely a breach of the contract. In the present suit, however, the licensor predicated his restriction not upon any contract but upon the nature of the grant, for he distinctly states that no license is given to sell the device at less than \$1.50 and hence from the nature of the transfer if the device was sold at less than \$1.50 it was sold in violation of the license granted under the patent because no sale could be made under this license at less than that price. In other words, the licensor did not rely upon a special contract to bind the parties *but refused to give them a license to go beyond a certain point*. He could do this because he had the exclusive rights given him by the statute and he could carve this right as he saw fit. He might just as well have said: "I hereby deliver to you one dozen gas-heating devices which are protected by a patent but I only grant you a license to use them as constructed and I grant you no license to change the construction materially for I know if you do that will injure the operation and thereby hurt my trade and I consequently will not grant a full license but only a license with this restriction and any violation of this restriction will terminate the license, for the license is only granted so long as you use these devices in the manner stated and therefore any change will be in violation of the patent because then you will be using it after the license has been terminated." And it is just as if he also said: "I grant or license you to make these devices in your shop and I distinctly state in this license that no license is granted to make these devices elsewhere than in your shop and that the making of the same elsewhere will be a violation of this license and consequently an infringement." In other words, a patentee, we submit, when he makes an assignment or a grant or a license under his patent may make limitations or restrictions which are not in the

nature of a contract but a reservation in the title, a violation of which will terminate the grant, assignment or license and cause all additional acts to be infringements. He may do this, we submit, whether he is granting a right to make, as in the case of shop-right, which has been recognized for ages, or whether he is granting the right to use, or whether he is granting the right to sell, and all three of these rights we submit stand on the same basis, are coextensive and no difference is made between them under the statute. It would be a different proposition, however, if the patentee granted an unrestricted license to make and afterwards entered into a special contract with the licensee that he should not make in any other place than in his shop. If this separate contract were violated the remedy would not be for infringement but for breach of contract. In the same way special contracts might be made as to sale, and as to use and their violation might justify a suit for breach of contract. But this suit does not involve any such state of facts. No special contract was made but *instead a reservation or restriction in the license itself as a part of the grant* was made, and notice given that this would be insisted upon and that the party could not proceed further than the grant extended without violating the patent rights; or in other words, a distinct reservation in the grant was made. This difference, we submit, clearly distinguishes in principle the case at bar from the copyright cases, and distinguishes the case at bar from any other patent cases where no reservation in the grant was made.

We submit, therefore, that the facts present in the copyright cases are so widely different from the facts present in the case at bar, that, aside from other considerations, they should have no weight in relation to the present case.



Appellant next contends that in the case of *Keeler v. Standard Folding Bed Co.*, 157 U. S., 659, the question here presented was practically settled, and that nothing in the subsequent decisions of this court has in any manner modified or restricted the force and effect thereof. We will, therefore, now consider this decision. When, however, we come to examine the facts in this folding bed case, we find nothing like the facts in the case at bar.

The facts stated in the opinion are that the complainants were assignees for the State of Massachusetts of a certain patent for folding bed and that the Welsh Folding Bed Company owned the patent rights for the State of Michigan, and that the defendants purchased a carload of said beds from the Welsh Folding Bed Company at Grand Rapids, Mich., and afterwards sold them in Boston. The court below held that the owner of the patent rights for the State of Massachusetts could maintain a suit against the defendants for selling in Massachusetts, although they bought from a licensed dealer in Michigan. On this state of facts, the Supreme Court said:

"Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may at any time himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such question would arise as a question of contract and not as one under the inherent meaning and effect of the patent laws."

It is obvious that this is quite a different question from the one now before the court. The vendee in Michigan was given the full right and power to sell to anyone in the State of Michigan. No limitation or restriction was



placed upon him by the terms of the grant or license. No limitation or restriction was put into his grant that he was not empowered to sell to some one in Michigan who might sell in some other state. He might under his grant sell to anyone in Michigan, no matter where that person intended to sell. The person who bought from him did not have any notice that having bought from a party duly authorized to sell under the patent he was restricted as to the place in which he should sell. In short, there was no reservation of this character in the license or grant. The Supreme Court did not pass upon the question as to what would be their view of the matter if the grantee for the State of Michigan had imposed upon his grant the limitation that the articles should not be sold elsewhere than in Michigan, and that he should notify anyone to whom he sold that that was a condition of the grant and must be observed or there would be a violation of the patent. The Supreme Court plainly states that the question whether the patentee might protect himself by a special contract brought home to the purchasers was not a question before them and was one upon which they expressed no opinion; and it is therefore still more obvious that they did not have before them and expressed no opinion upon the much more delicate question as to whether a limitation imposed in the grant that the Michigan vendor could not sell to anyone for sale outside of the State and must give notice to any purchaser that this was a limitation imposed upon his right either directly or by label or placard, would not be effective in maintaining the exclusiveness of that right for other assignees in the other States. The correctness of the reasoning in the folding bed case is plainly apparent, both from the side of the Michigan owner and of the Boston purchaser. In the first place, the Michigan owner had an unrestricted right of selling to anybody in the State of Michigan.

That is what he thought he was buying and that what he paid for. To say that he would have to inquire from every purchaser in the State of Michigan what the latter was going to do with the beds and if he intended to sell them elsewhere to refuse to deliver them to him would be to say that he must deny himself of a considerable portion of the sales that he expected to make when he bought the rights for Michigan, and that he must deprive himself of the profits which he might otherwise make by a sale in his own territory, although at the time he bought from the patentee there was no restriction as to where the ultimate purchaser should sell them. Manifestly, therefore, such an interpretation of the Michigan grantee's right would be very unfair and unjust to him. Again, it would be intolerable in connection with the Boston purchasers. How were they to know that the party who sold to them had not the right to sell? There does not appear to have been any notice by placard or otherwise affixed to the beds and there could not have been such a notice because there was no such condition in the grant. It follows, therefore, as a matter of course that the Boston purchasers could not be tortfeasors under these circumstances. In either aspect of the case, therefore, we submit the Supreme Court must in equity have decided as they did in this folding bed case but it is quite a different state of facts in the case at hand. Here the man who bought the gas-heating devices bought them under a license, which expressly stated that they should be sold to the public for not less than \$1.50, and there was no license granted to sell them at any other price, and that every article should have a placard with it to this effect. And that any sale in violation of this restriction would be a sale outside of the grant or license and therefore an infringement of the patent. No one was injured by such a license. The jobber who bought

from the complainant, now appellee, knew just what he was buying and under what restrictions and paid accordingly. The retailer, the present appellant, had written notice that it was buying under these restrictions and paid proportionally for this lessened title. The placard also gave a similar notice. Naturally, neither the vendor, the jobber, nor the retailer or the purchaser was defrauded of a single cent. Each understood perfectly what were the conditions of this grant and did not have to accept these conditions or restrictions or limitations if not so disposed. No one was imposed upon, no one gave a price for one thing and found he had in fact received another. The only fraud in the matter is on the other side of the case. Appellant, defendant in the court below, knowing that it had no right or license to sell these articles for less than \$1.50 and that to do so would be a tort because outside of the license or grant, deliberately and with its eyes open committed this tort and now seeks the favor of the court on a purely technical plea to the jurisdiction. The equities were all in favor of the defendant in the folding bed case. The equities are all against the defendant-appellant in the present case. The folding bed case was practically in line with the series of decisions by the same court, such as *Wilson v. Rousseau*, 4 How., 646; *Bloomer v. McQuewan*, 14 How., 539; *Mitchell v. Hawley*, 16 Wall., 544; *Adams v. Burke*, 17 Wall., 453; *Boesch v. Graff*, 133 U. S., 697, and *Hobbie v. Jennison*, 149 U. S., 355. We submit that neither the folding bed case nor any of the cases which it affirmed have any bearing on the present suit, for the reasons before stated.

Indeed, if the Supreme Court should adopt a contrary view it would seriously embarrass all patentees with moderate means and force patentees to sell their patents to rich corporations. The patentee who has an article

adapted for general use and therefore available for sale all over the United States, has not ordinarily the means to equip a selling organization for every State in the Union. He could not possibly find the money to pay salesmen to dispose of his device at a retail price in all the principal cities of the country. The modern method of doing business comes into play and helps him. He finds that he can sell to a large jobber in Chicago, and to another large jobber in St. Louis, and to another large jobber in New York, and to still another in Boston, and to still another in Denver, and to still another in New Orleans, and to still another in Minneapolis, and to still another in San Francisco. These jobbers in turn will sell to retail stores like The Fair, and the retail stores in turn will sell to the customers. But in order to dispose of his goods to these jobbers he must maintain the price of the article, and so as a part of the grant or license he makes a limitation that the price to the ultimate consumer must be \$1.50, and this fixed price is absolutely necessary to maintain his relations with these jobbers. If The Fair can sell for \$1.25 because it is a store with tens of thousands of other articles for sale and wishes to make this particular device a leader to induce purchasers to come to its store, and can afford to sacrifice all its profit on this particular article for that end, it will follow that the public will soon be educated into believing that \$1.25 is the proper price for this article and will not pay more. The other retail stores, therefore, of the city will have to make a similar price or else drop the article. The jobbers, therefore, who sell to them will consequently be forced to stop buying the article or sell it without profit, neither of which they will be willing to do, and consequently they will stop buying this article from complainant, and hence the latter will lose a large porportion of its market in Chicago. The same may be

true of New York, San Francisco, and other cities, and in a short time complainant's market will be so reduced that it will be getting far less than adequate consideration out of the invention, and in fact its business will be ruined. It is therefore not only important, but practically necessary for complainant to put a limitation upon the price at which the device shall be sold at retail, or else it will not be able to avail itself of the help of jobbers in the distribution of its goods, and this being so and its own capacity for distribution being small it will utterly fail to realize a fair and adequate reward for its invention. Of course, if the complainant was a multimillionaire and could organize a selling organization of its own for the whole United States like the big sewing machine companies, or the Deere Plow Company, or others, then there would be no necessity for it to resort to jobbers and it could sell direct to the public at \$1.50 and thus secure an adequate compensation for its patent rights, but as it is complainant must sell to jobbers for \$1.25 or thereabouts and limit the retail price to \$1.50 so as to allow a suitable profit for the jobber and make them all fare alike so that it may maintain their trade. Now why should this necessary modern machinery be penalized; what authority is there under the statute for penalizing it? If complainant has the right to sell to the retail trade direct at \$1.50, why can it not sell at this price through the modern machinery of jobbers and retail stores and allow such commission as will bring the price to \$1.50 and thus make use of the capital of the jobbers and retail stores in distributing its goods? If complainant may sell to a jobber with the express limitation in its license to such jobber that he shall not sell the articles for less than \$1.50, why can it not for the purpose of assisting in the convenient distribution of the goods provide that if the jobber sell

to a retailer as his customer the retailer shall not sell for less than \$1.50 per device? What difference does it make to the public whether the patentee sells him the goods at \$1.50 or whether it passes through the hands of a jobber and retail store and is then sold to him for \$1.50? What injury is done to the public in such event? What principle of law is violated by the patentee making use of the modern machinery of business to distribute his goods and putting such limitations upon his license to sell as will insure every jobber having fair play and just treatment and thereby inducing them to buy goods of complainant? If the patentee has the privilege under his exclusive right to vend to fix the price if he is selling directly to the public, as we believe is universally conceded, and it costs such patentee 25 or 50 cents per article that he sells to the public at \$1.50, why is it that such patentee has not the right to make use of the jobber and retailer to distribute his goods and fix the price at which it shall be sold at retail so as to allow them such a commission as would serve to induce them to distribute the goods for him at the price desired? We ask again, what authority is there under the statute granting the patentee the exclusive right to make, vend and use, for the courts to admonish him that he must not fix the price at which his goods must be sold to the consumer because he chooses to adopt the modern convenience of the jobber and retail store who will utilize their own capital and distribute his goods for him for what practically amounts to a certain selling commission and which is not greater than would be his selling expense? We submit there is no reason in principle, and nothing in the spirit or letter of the statute to prohibit the patentee from availing himself in this manner of modern business methods in selling his goods. We submit that the patentee should be dealt with in a

liberal spirit in the interpretation of these laws, and should not be hampered in such a manner as to prevent him from using modern methods in the disposition of his goods. Who is injured by this method of procedure? Whose rights are taken away? What equities are violated? The ultimate purchaser is not injured, for the patentee originally fixed the price of the article at \$1.50, and if such purchaser had bought from the patentee direct he would have had to pay this amount. The jobber is not injured, for the patentee pays the jobber a reasonable commission to cover both his own cost of selling and the cost of the retailer. The retailer is not injured, because he bought the devices at a less price in order to give him this commission for selling it at \$1.50. Not only this, but the jobber and retailer when they bought these articles at a reduced price were granted the license under the patent to sell them only at \$1.50 and thus were fully advised of the limitations of the grant and need not have taken the articles with such limitations placed upon them if not desired. If The Fair, for instance, wishes to make a leader of some article desired by the public and thus induce purchasers to enter its store and perhaps buy other articles, let it choose some other article in demand, and not a patented article upon which a fixed price must be charged in order to preserve the business of the owner of the patent. The patentee has promised that this article shall be free from royalty at the end of seventeen years from the date of grant, and the Government in behalf of the public has promised that the patentee may fix this royalty within these seventeen years, and the patentee has found that under modern business methods and with the capital at its disposal the only practical way of reaching this result is to sell through jobbers and retailers and fix the price at which the device shall be retailed to the public, and



the statute is enacted to carry out these intentions of the parties. Why, then, should courts put an arbitrary limit upon the number of parties through which an article must pass, while the price fixed by the patentee may be maintained? Of course if such a thing should be attempted without adequate notice to the public or in such a manner that the public would not be protected, that would be a different matter, but such is not this case. The facts of this case show that not only the jobber but The Fair was notified in writing of the restrictions of the license as to price, and that the public was also safeguarded by a placard containing such license, and its restrictions placed upon the article. Under these circumstances it would seem that logically and legally the complainant has acted within its rights and The Fair is infringing these rights by deliberately with notice selling outside of the license, and consequently complainant is entitled to the injunction prayed for so as to prevent the irreparable damage which otherwise would result to its business.

We have now considered, discussed, and as we believe and submit, distinguished the three cases relied upon by the appellant from the case at bar. Neither of the three cases really touch the point at issue in this case for reasons which we have stated. Counsel for appellant seem to have entirely misunderstood these cases, and especially the Folding Bed case. Counsel for appellant on page 9 of their brief say:

“The vital question presented for decision in the Folding Bed case was: Did these territorial license contracts and the claimed violation thereof raise an issue under the patent laws, or one of breach of contract?”

This is a surprisingly erroneous conclusion. No such question was involved in that Folding Bed case. The question involved in that case was the well settled one



whether a grantee of an exclusive right to sell for one state, who was in no wise restricted by the terms of his grant so long as he sold in that state, could sell to parties in the state and then such parties could sell in some other state. This was the vital question in the Folding Bed case, and this only. The suggestion as to whether a patentee might protect himself by special contracts brought home to the purchasers was distinctly stated in the opinion to be not a question before the court. The further suggestion that such a question would arise as a question of contract and not as one under the inherent meaning and effect of the patent laws must necessarily therefore have been purely dictum, as was said by Judge Lowell in the *Edison Phonograph Co. v. Pike* case, 116 Fed. Rep., 863. The Supreme Court when it uttered this dictum did not have before it the slightest intimation of a case like the present one, where there was no special contract, but a limitation upon the license. They did not have presented to them the present case which is in a sense like the "Rule in Shelly's Case." Under certain conditions the courts held by the "Rule in Shelley's Case" that the word "heirs" in a grant were to be construed as words of *limitation* and *not of purchase*. So in this case, we suggest that the words used by the complainant in granting the license to sell are necessarily to be construed as words of limitation and not of purchase or contract. In other words, the words employed define the nature and extent of the grant and impose that definition as a limitation upon the grant; which is a very different matter from a special contract as to what the defendant might or might not do, which latter would not amount to a limitation upon the grant itself, but a deliberate agreement after the grant. And the Supreme Court in the later cases called the copyright cases, before referred to, had in their minds

this distinction between the limitation or reservation in the grant and the special contract after the grant when they used the following significant language:

“Both the Circuit Court and the Court of Appeals held that there was nothing in any of the notices of a claim of right or reservation under the copyright law.” (See *Scribner v. Straus*, 210 U. S. 354.)

And this is what we are contending for here, that there was a reservation or limitation in the notice, under the patent law. And the Supreme Court in the copyright cases seemed to plainly intimate that such a reservation or limitation might make a difference in the way they treated the case; and this was the later view of the Supreme Court, for the *Folding Bed* case was decided at an earlier date and the effect of a limitation or reservation in the grant, was not before the court in that case.

We have now, as above suggested, discussed all three cases from which appellant endeavors to take comfort, and have, we submit, shown that these cases are really not in point so far as the present question is concerned. The rest of appellant's brief is practically devoted to an attempted explanation of the uniform line of decisions against them in the various Courts of Appeals, in this country and has brief reference to the Supreme Court decision in *Bement v. National Harrow Co.*, which last mentioned case we will next discuss. This case is reported in 186 U. S., page 70. While the facts in this Harrow case are not, it is true, like those in the present case, because the Harrow case was based upon special contracts rather than upon limitations in the grant, yet even these contracts were held valid, and the language of the opinion in commenting upon the law applicable to the case is very instructive. We quote as follows:

“On looking through these licenses we have been

unable to find any conditions contained therein rendering the agreement void because of a violation of that act. . . . The provision in regard to the price at which the licensee would sell the article manufactured under the license is also an appropriate and reasonable condition. It tended to keep up the price of the implements manufactured and sold, but that was only recognizing the nature of the property dealt in, and providing for its value so far as possible. This the parties were legally entitled to do. The owner of a patented article can, of course, charge such price as he may choose, and the owner of a patent may assign it, or sell the right to manufacture, and *sell the article, upon the condition that the assignee shall charge a certain amount for such article.*"

The last sentence of the above quotation is particularly in point, for it distinctly recognizes the right of the owner of a patented article to sell the article upon the condition that the assignee shall charge a certain amount for such article, which is precisely in accord with the facts of the present case and the point for which we are contending. Under this language of the Supreme Court in the Harrow case, not only would the appellee in the present case have a right to sell the gas heaters at \$1.50, but he would also have the right to sell the article upon the condition that the assignee The Fair shall charge a certain amount for such article. It can certainly make no difference that modern methods of business have caused the appellee to interpose, between The Fair and itself, an intermediate party in the shape of a jobber, for the condition was rigorously insisted upon in each transfer by a written notice and by placard. Thus, therefore, the Harrow case entirely confirms our position. There is no doubt a difference between the Harrow case and the case at bar in this respect and that is the Harrow suit was brought on a contract in the state court and the present suit is brought for an in-

junction in the Federal Court, but nevertheless the Harrow case by reason of the principles underlying it eventually reached the Federal Court and the Supreme Court of the United States, and the principle was then laid down by this latter court that the owner of a patent may sell the right to manufacture and sell the article upon the condition that the assignee shall charge a certain amount for such article. In other words, the patentee not only fixes the price he shall charge for the article, but after he sells the article it does not become free for the assignee to do with as he chooses, for the Supreme Court says that in passing the title the patentee can fix the condition that the assignee shall charge a certain amount for such article. And if the patentee can impose upon the assignee the obligation to charge a certain price for the article there is no reason why he could not interpose a third party like the jobber for convenience of transacting his business and impose such condition upon both parties as has been done in the present case.

We submit, therefore, that the case of *Bement v. National Harrow Co.*, decided by this court, is plainly an authority sustaining our position in this case.

It is worthy of note, moreover, that *Bement v. National Harrow Co.*, cites with approval the decision of the Circuit Court of Appeals for the 6th Circuit in *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 F. R., 288. In this last mentioned case Judge Lurton delivered the opinion of the Court of Appeals and his views are exceedingly instructive in this connection. The facts of the case were that the owner of patents on a machine for applying fasteners to shoes sold the machines at cost to shoe manufacturers upon the following conditions of sale:

“This machine is sold and purchased to use only

with fasteners made by the Peninsular Novelty Co., to whom the title of said machine immediately reverts upon violation of this contract of sale."

In other words, this was a restricted sale, and while the restriction differed in its character from the restriction in the case at bar, it was nevertheless equally with the case at bar a plain limitation upon the license given with the machine. Furthermore, the complainant did not sell the machine directly to the user, but sold it through jobbers, and on this state of facts the court said:

"That the complainant sells the machine through jobbers, and not directly to those who buy for use, is immaterial, under the facts stated on the face of the bill. The jobber buys and sells subject to the restriction, and both have notice of the conditional character of the sale and of the restriction on the use."

It appears, therefore, that the Court of Appeals for the 6th Circuit entirely agree with our position that it is immaterial as to whether the restricted license passes directly to the ultimate purchaser or passes through an intermediary such as the jobber. The principle is the same in each case. Another one of our contentions in behalf of appellee is confirmed by this Heaton-Peninsular case and that is that the party who violates the restriction contained in the license is a tortfeasor and not merely a breaker of a contract, and therefore it is proper to sue him in the Federal Court for infringement, while it may be of course feasible to sue him if desired in the state courts for violation of the implied contract. On this point Judge Lurton, speaking for the Court of Appeals, says:

"The remedy of complainant may be a double one; for liability may rest either upon the broken contract or for the tortious use of the invention. Rob. Pat. Sec. 1225, 1250, and notes. If a patentee may lawfully make and sell machines embodying his in-

vention and restrict the use of the invention in respect of territory or time or business, or purposes to which it may be put, or material to be used in conjunction therewith, it would seem very obvious that the effect of the restrictions and limitations on the use would operate to prevent the machine from passing, as in the case of an unconditional sale, beyond the monopoly of the patent. The control *reserved* by the patentee as to the use of the machine has the effect of continuing it within the prohibition of the monopoly. The license defines the boundaries of a lawful use, and estops the licensor from the assertion of his monopoly contrary to its terms. On the other hand, a use prohibited by the license is a use in defiance of the monopoly reserved by the patentee, and necessarily an unlawful invasion of the rights secured to him by his patent. The license would be no defense to a suit for infringement by a use in excess of its terms. The patentee has the exclusive right of use, except in so far as he has parted with it by his license. The essence of the monopoly conferred by the grant of letters patent is the exclusive right to use the invention or discovery described in the patent. . . .

"If, then, the patentee has the exclusive right to the use of his invention or discovery, during the term of his patent, it would seem to follow that any use by another, unauthorized by the patentee, would be an infringement of his monopoly. If, therefore, he can find a purchaser for a machine subject only to certain specified uses, any violation of the privilege granted would be an infringement, for which the remedies granted patentees would be appropriate."

Here, then, is a distinct recognition of the principle which we are advocating to the effect that the party has a right to grant a restricted or special license and thereby conveys permission to make, vend, or use, as the case may be, only within the special license, and any making, using, or vending outside of the restrictions of that license is a use without permission, or in other words, an infringement of the patent.

Again, Judge Lurton expressing the opinion of the court, made use of the following apposite language (see page 300, 77 F. R.):

"The suggestion has been made that, although defendants may be guilty of infringement, complainant's remedy at law is adequate, and, under the circumstances of the case, equity ought not to accord to the patentee the equitable relief of injunction. As to this aspect of the case, it would seem clear that, if complainant has imposed a legal restriction upon the use of the inventions embodied in the structures made and sold by it, the remedy at law is wholly inadequate, and relief by injunction should be awarded upon the case stated in the bill. . . .

"An action at law for the character of continuing trespass alleged by complainant would be grossly inadequate to protect the patents from invasion. If the complainant has the right to reserve a control over the use in the manner stated in its bill, then its machines to the extent it has reserved such control, are within the monopoly of the patents. If its licenses do not infringe public policy, but are within the privileges awarded by the patents, then it must follow that the case presented should be accorded relief by injunction restraining the acts complained of. A court of equity has the power, independently of any other relief, to restrain the continuing infringement of a patent."

We submit that the Heaton-Peninsular Button case is most conclusive in its logic, correct in its application of the principles of law, and apposite in its citation of authorities in support of the position taken. It certainly confirms the position we as counsel for appellee have taken in regard to three propositions, to-wit:

1. That the patentee having the exclusive right may in making a grant under that right restrict the grant, whether that grant is a right to make, to vend, or to use.
2. That a violation of this restriction is not only an



implied breach of contract, but more particularly a violation of the monopoly and an infringement of the patent, because the violater is operating outside of the permission given under the patent.

3. It is immaterial whether this restricted license is given directly to the ultimate user or through the intermediary of a jobber, provided a label or placard is affixed to the article so that the ultimate user is made aware of the restriction.

And corollary to these propositions the court also sustains us in a fourth contention, that the true remedy is by bill in equity for infringement of the patent, although it may be possible that there might be a suit in the state courts on the implied contract. And the Court of Appeals in this Heaton-Peninsular Button-Fastener case in expressing the opinion as we have indicated it, were not unmindful of the general rule that a patentee who unconditionally makes a sale of a machine under his patent with no restriction upon its use thereby passes the machine out of the limit of the monopoly, as held in *Adams v. Burk*, 17 Wall., 453; *Mitchell v. Hawley*, 16 Wall., 544, and many other cases; but distinguishes this principle from a case where the owner of a patent has not granted an unrestricted monopoly, but has only granted a limited license such as was present in that case, and such as is present in the case now at bar.

The decision of the Supreme Court in *Cotton-Tie Co. v. Simmons*, 106 U. S., 89, is likewise quite useful in establishing the contention we make in behalf of appellee, that a patentee may by the terms of his license place limitations or restrictions upon it, and that a party who goes outside of these restrictions is an infringer. In this particular case the owner of patents for improvements in metallic cotton bale ties, which tie consisted essentially of a buckle and a band, sold the ties upon the



market, having the following words stamped upon them: "License to use once only." After the bands had been used and broken and sold as scrap, the defendant bought the pieces, fastened them together with additional material necessary and sold them to be again used for a similar purpose. The Supreme Court held that this was an infringement. The case, therefore, in principle is authority for the proposition that a licensor may make a special license permitting only restricted or limited sale or use, and that any one who sells or uses outside of this restriction or limitation is an infringer of the patent.

The argument of appellant to the effect that the Heaton-Peninsular Button-Fastener case is based upon the theory that the patentee when he parted with the possession of the machine did not get the price asked for it, and hence that it was never freed from the patent monopoly and thereby differentiates the facts from the case at bar, because they allege complainant when it sells a gas-jet heater gets all it asks and has no further interest in it, is a clearly fallacious argument. In the Heaton-Peninsular Button case the vendor just as fully received the price he asked for his machine as does the complainant in this case. The vendor, it is true, sold the machine at cost, but received a definite sum of money equivalent of that cost, and expected, of course, to get its profit on the sale of the fasteners. In the present case the vendor sells to the jobber at a definite price, but it would get a very inconsiderable part of its compensation if it sold to only this jobber, or to put it more strongly, sold only to this retailer, The Fair. The compensation for the patent privilege would be trifling under such conditions. The added compensation which the vendor is to get is by virtue of The Fair and the other sellers keeping the price at \$1.50, so that the vendor's market will not be prejudiced, and it may sell large quantities of these de-

vices to various jobbers at a small profit. It is entirely immaterial whether the vendor receives \$10,000 a year net royalty on these devices by making \$1.00 above the cost price on 1,000 of them, or by making 10 cents above the cost price on 100,000 of them. It is better for the public that the vendor should sell large quantities at a small profit, and in order to sell the large quantities it is necessary to sell through the jobbers, and in order to succeed in inducing a large number of jobbers to buy them the price to the consumer must be made uniform; and consequently this fixed price to the consumer is the necessary factor in the solution of the problem how to get adequate compensation for the patent rights bestowed. This problem is presented in a great variety of ways. In the Heaton-Peninsular Button-Fastener case it was solved by obtaining profits on the fasteners instead of on the machine. In the National Harrow case a fixed price to the consumer was the factor upon which a large part of the consideration was based, as in this case. It makes no difference in principle by what method the consideration for the grant is obtained, so long as the infringing acts are in derogation of the full enjoyment of that consideration or tend to abrogate it. In either case such infringing acts are a trespass upon the exclusive right under the patent monopoly, and for such trespass the patent statutes gives remedy by injunction, and it is that remedy we invoke in this case.

The Court of Appeals for the 2nd Circuit followed the Button-Fastener case in *Cortelyou v. Lowe*, 111 F. R., 1105. In the case of *Cortelyou v. Johnson*, 145 F. R., 943, the same Court of Appeals, that is, the Court of Appeals of the 2nd Circuit, said:

“The opinion of Judge Lurton in the Peninsular case covers the entire field of controversy and presents the arguments, and all the arguments, in sup-

port of the complainant's contention. It is a clear, comprehensive, and convincing exposition of the law as applicable to the facts as stated in the bill and admitted by the demurrer, and upon similar facts is as controlling upon us as if originally promulgated by this court."

The suggestion contained on page 13 of appellant's brief that the Court of Appeals intimated in this decision that but for the former case of *Cortelyou v. Lowe* the court might arrive at a different conclusion, is unjustified by the language of the decision. It is perfectly evident that the court in *Cortelyou v. Johnson* entirely agreed with the earlier decision, for no other significance could be given to the language we have just quoted, where it says that the former decision of Heaton-Peninsular Button-Fastener case is a "clear, comprehensive and convincing exposition of the law." If it is a convincing exposition of the law, how can it be that the court might entertain a different opinion, as intimated by counsel for appellant? The *Cortelyou v. Lowe* case was founded upon the Heaton-Peninsular Button case.

Of course, it is true that in the *Cortelyou v. Johnson* case the court very wisely suggested that there might be a proper limit for the doctrine, and that the doctrine should not be extended unjustly so as to create new monopolies invading legitimate occupation. The gist of the point, as we understand the decision, is this: The doctrine is all right when applied to the state of facts in the Heaton-Peninsular Button case, where the fastener had to be used with this particular machine, and could be used with no other machine; but it should not be applied to a case where the article was a common necessary of life, or in a particular line which might be used in other relations. For instance, a man would have no right because he owned a patent on a gasoline motor of a particular kind to place an embargo upon the sale of

gasoline for use with such motor, when as a matter of fact the same gasoline might be used with a variety of other motors, and therefore had no necessary relation to the motor in question. And that we think is a distinction which should be observed. In other words, there must be some direct connection between the article upon which the sale is monopolized and the patented device in question, or otherwise the monopoly is extending outside of the patent protection, which was never the intention of the statute. The fasteners, as we have before remarked, were made especially for that particular machine and the machine had to use the fasteners. The motor was a gasoline motor, but the gasoline could be used with other motors, and therefore there was no peculiar relation. We think the Court of Appeals of the 2nd Circuit discriminated wisely in *Cortelyou v. Johnson*, while it affirmed everything that was decided in the Heaton-Peninsular case.

A leading case is one in which this same defendant was involved,—*Victor Talking Machine Co. v. The Fair*, decided by the Circuit Court of Appeals for the 7th Circuit. In this case Judge Baker, delivering the opinion of the court, ruled on three propositions which are of interest in this case, to-wit:

1. That the complainant properly sued for infringement where a party violated the restrictions of a license fixing the price at which the article should be sold to the ultimate customer, and whether or not there was an implied contract arising from the acceptance of the conditions, made no difference.

2. That a license of this character was a proper license under the patent law, and that a jobber or dealer who sold the patented article at a less price than was provided within the limitations of the license entered the

field outside of the permission granted, and therefore was an infringer.

3. That it is axiomatic that the title of *The Fair* was no better than the title of the jobber, because unless the quality of innocence intervenes the title of the purchaser is no better than is the seller's, and the bill directly charged the seller with prior knowledge of the terms of the license.

We also ask attention to the large number of cases cited in the opinion of *Victor Talking Machine Co. v. The Fair* on the question of the suit being properly brought in the federal court, because the question of infringement was raised, even if a construction of a contract as well as the patent is one of the issues. A further point deserving of notice is that the license or notice placed on the machines in the *Victor Talking Machine* case was precisely similar to the present one, and, in fact, the present one was copied from the former, except in so far as the definite sum stated is involved. Counsel for complainant in considering this *Victor Talking Machine* case takes particular exception to the ruling of the court to the effect that the real offense was the tort, and the real remedy was injunction, even though there might have been an implied contract for the breach of which a suit at law might have been maintained. Counsel contend that the bill of complaint, while charging general infringement, also sets forth particular tort or grievance complained of, and that the plea refers to only the particular tort, and thereby clearly limits all allegations in the record to this particular branch of the case. This, we submit, is an entirely erroneous view of the law. It is perfectly true that by setting down the plea for argument counsel for complainant admitted the truth of the facts stated in the plea, and it is equally true that by filing such plea counsel for defendant admit-

ted all the other facts contained in the bill, including the general charge of infringement which might be based on various other acts of defendant which we have pointed out in the opening part of our brief. In other words, assuming that all the facts stated in the plea to the jurisdiction were true, and even assuming that those facts would not as a matter of law justify the charge of infringement (which, of course, we disputed), yet there are other charges in the bill of complaint which did justify the charge of infringement, and which defendant admitted as a matter of law by filing his plea. A plea, we submit, is like a demurrer as to all the other facts of the bill not referred to in the plea. In other words, if there are several grounds of complaint and the plea is only directed to one of them, and the other grounds would suffice to maintain the jurisdiction, even if the position of the plea was correct, the plea would be insufficient at law to defeat the action. That is the case here.

The further argument made by counsel for appellant against the decision of the Court of Appeals (in which the opinion was delivered by Judge Baker) in the Victor Talking Machine case, to the effect that this decision means that a party may part with the title to the patented invention and receive the full price demanded for it, and then by a label or notice require that the consumer must pay a different price, was a *reductio ad absurdum*, is misleading. We have before explained that when the patentee requires that the article be sold at a given price to the ultimate purchaser, he does this for the very purpose of insuring the full consideration for the patent privileges which he is granting. If he sold the device himself to the purchaser he would have a certain selling expense, say 25 or 50 cents, and if instead he sells to the jobber, who is to sell in turn to the retailer, he must provide an adequate sum between the price at which he sells

to the jobber and the ultimate price to the consumer for selling expense, so that in either case he is simply adding the selling expense to the cost and profit to be derived. He cannot get jobbers as a rule to sell for nothing, and he must make the price uniform to the consumer, or else jobbers cannot get their selling expense and profit, and hence will not sell, and consequently the patentee will not get his proper compensation. The mistake by counsel for appellant seems to be that he considers one article as giving the full remuneration to the patentee for his patent, while, of course, the patentee must look for his remuneration to the sum total of the articles sold, and he must regulate the prices so as to get the total amount of remuneration desired. As we before explained, if he only is to sell a few, he must get a larger percentage above the cost, but if he can by the modern business methods of distribution, secured by jobbers and retailers, sell a large number of devices, he can afford to take a smaller percentage of profit. Consequently it is necessary for the patentee to keep in mind these business conditions, and regulate prices in order to maintain these conditions, or else he will not get proper consideration for his patent. The Fair's conduct, as we have before shown, has seriously injured the market for these goods, and thus materially subtracted from the amount of consideration which otherwise would flow from the patent, and we are asking for an injunction to stop this destruction of complainant's business. The Fair persists in this improper line of conduct, and, indeed, has persisted for years, notwithstanding the decisions of the Court of Appeals against it in Victor Talking Machine case, and has absolutely no justification for its course, for it bought the goods with its eyes open as to the restriction under which it was secured.

A very recent case involving these questions is the de-

cision of the Court of Appeals for the Seventh Circuit in *The Fair v. Dover Mfg. Co.*, 166 Fed. Rep., 117. Similar views were expressed in *Fuller v. Berger*, 120 Fed. Rep., 274; *Rubber Tire Co. v. Milwaukee Rubber Works*, 154 Fed. Rep., 358; *Indiana Mfg. Co. v. J. I. Case Co.*, 154 Fed. Rep., 365; *Edison v. Kaufman*, 105 F. R., 690; *Edison v. Pike*, 116 F. R., 863; *Park v. U. W. D. A.*, 175 N. Y., 1; *Rupp v. Elliott*, 131 F. R., 730; *Tubular Rivet & Stud Co. v. O'Brien*, 93 F. R., 863, and in many other cases.

Respectfully submitted,

FRANK T. BROWN,

FRANCIS A. HOPKINS,

*Solicitors for Appellee.*

FRANK T. BROWN,

*Of Counsel.*



**THE FAIR v. KOHLER DIE AND SPECIALTY  
COMPANY.**

**APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES  
FOR THE NORTHERN DISTRICT OF ILLINOIS.**

**No. 169. Argued March 6, 1913.—Decided March 24, 1913.**

Where plaintiff relies upon infringement of his patent and nothing else, the cause, whether good or bad, is one under the laws of the United States and the Circuit Court has jurisdiction; and jurisdiction cannot be defeated by matter set up in the answer.

228 U. S.

Opinion of the Court.

The party bringing the suit is master to decide what law he will rely upon.

Jurisdiction is authority to decide either way, and, if it exists as an incident to a Federal statutory cause of action, it cannot be defeated by a plea denying the merits.

Defendant specially pleading to plaintiff's bill for infringement of patent by selling below a stipulated price denied there was any infringement of the patent and set up that the cause was not one arising under the patent laws of the United States and the Federal court had no jurisdiction. The court overruled the plea and, defendant not having answered further, made a decree for plaintiff. In this court *held* that the appeal was on the question of jurisdiction alone, and as jurisdiction existed below and rested solely on the patent law, there being no diverse citizenship, the decree must be affirmed.

THE facts are stated in the opinion.

*Mr. David S. Wegg*, with whom *Mr. Walter H. Chamberlain* was on the brief, for appellant.

*Mr. Frank T. Brown* and *Mr. Francis A. Hopkins* for appellee submitted.

MR. JUSTICE HOLMES delivered the opinion of the court.

This is a bill in equity brought by the appellee, an Illinois corporation, against The Fair, also an Illinois corporation, for an injunction against The Fair's making and vending certain patented gas heating devices, or selling such devices of the plaintiff's manufacture at less than one dollar and a half each; for an account and for triple damages. The bill alleges that the plaintiff has the sole and exclusive right to make and sell the devices throughout the United States and that the defendant with full notice has sold and is selling the same without license in violation of the plaintiff's right. It then goes on to allege that the plaintiff, when it sells, imposes the condition that the goods shall not be sold at less than one dollar and fifty cents, and attaches to the goods a notice to that

effect and that any sale in violation of the condition, or use of the article if so sold, will be an infringement of the patent. It further avers that the defendant obtained a stock of the devices with notice of the conditions and sold them for a dollar and a quarter each in infringement of the plaintiff's rights under the patent.

The Fair appeared specially and pleaded that all the devices in question sold by it were purchased from the plaintiff by a jobber, that the jobber paid the full price to the plaintiff, that upon these facts there was no question arising under the patent or other laws of the United States, and that the court had no jurisdiction of the case. The case was set down for hearing on the plea, so that the foregoing allegations of fact must be taken to be true. *Farley v. Kittson*, 120 U. S. 303, 314. The court in deference to *Victor Talking Machine Co. v. The Fair*, 123 Fed. Rep. 424, maintained its jurisdiction, and as the defendant did not answer within the time allowed, took the bill as confessed and made a decree for the plaintiff. The judge stated that he did not feel at liberty to give a formal certificate but added what appears from the record, that the defendant did nothing except to file the above plea. The appeal is upon the question of jurisdiction alone. There is no uncertainty or ambiguity and we are of opinion that the case is properly here. *Petri v. Creelman Lumber Co.*, 199 U. S. 487, 492.

Obviously the plaintiff sued upon the patent law, so far as the purport and intent of the bill is concerned. It was a resident of the same State as the defendant and could have had no other ground. In the earlier paragraphs of the bill it charged an infringement of its patent rights in general terms, and it sought triple damages, which it could have done only by virtue of the statute. It is true that later it set up the sale at a dollar and a quarter as an infringement and that we may guess that this is the only one, although it does not say so. But if that is the plaintiff's

228 U. S.

Opinion of the Court.

only cause of action, still the plaintiff relies upon it as an infringement and nothing else—so that, good or bad, the cause of action alleged is a cause of action under the laws of the United States.

Of course the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other law of the United States by his declaration or bill. That question cannot depend upon the answer, and accordingly jurisdiction cannot be conferred by the defence even when anticipated and replied to in the bill. *Devine v. Los Angeles*, 202 U. S. 313, 334. Conversely, when the plaintiff bases his cause of action upon an act of Congress jurisdiction cannot be defeated by a plea denying the merits of the claim. It might be defeated, no doubt, in a case depending on diversity of citizenship by a plea to the citizenship of parties. *Interior Construction and Improvement Co. v. Gibney*, 160 U. S. 217, 219. We are speaking of a case where jurisdiction is incident to a Federal statutory cause of action. Jurisdiction is authority to decide the case either way. Unsuccessful as well as successful suits may be brought upon the act, and a decision that a patent is bad, whether on the facts or the law, is as binding as one that it is good. See *Fauntleroy v. Lum*, 210 U. S. 230, 235. No doubt if it should appear that the plaintiff was not really relying upon the patent law for his alleged rights, or if the claim of right were frivolous, the case might be dismissed. In the former instance the suit would not really and substantially involve a controversy within the jurisdiction of the court, *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S. 282, 287, 288, and in the latter the jurisdiction would not be denied, except possibly in form. *Deming v. Carlisle Packing Co.*, 226 U. S. 102, 109. But if the plaintiff really makes a substantial claim under an act of Congress there is jurisdiction whether the claim ultimately be held good or bad.

Thus in *Vicksburg Waterworks Co. v. Vicksburg*, 185 U. S. 65, 68, it was pointed out that, while the certificate inquired whether a Federal question was involved upon the pleadings, and while the counsel had argued the merits of the case, the function of this court "is restricted to the inquiry whether, upon the allegations of the bill of complaint, assuming them to be true in point of fact, a Federal question is disclosed so as to give the Circuit Court jurisdiction in a suit between citizens of the same State." For that reason the court declined to pass upon the validity of the contract the obligation of which was alleged to have been impaired. *Ibid.* 82. *S. C.*, 202 U. S. 453, 458. *Mercantile Trust & Deposit Co. v. Columbus*, 203 U. S. 311, 322, 323. *Knoxville Water Co. v. Knoxville*, 200 U. S. 22, 32.

In this case the plea though purporting to go to the jurisdiction of the court merely means that the patent law does not give a patentee a right to impose such a condition as the plaintiff attempted to impose upon second purchasers of the device. The plaintiff no doubt maintains that the law does give him that right, and that even if the alleged infringements are confined to the acts admitted by the plea they are infringements none the less. The bill hardly can be confined to that claim, but if it were, it is made in good faith and is not frivolous, it is a claim of right under the patent law and the Circuit Court properly took jurisdiction of the case. *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S. 282, 295. *White v. Rankin*, 144 U. S. 628, 635, 636, 639.

*Decree affirmed.*